

## World news

## Business summary

## Coal mine blast in France kills 22

France's worst coal mine disaster for more than a decade claimed the lives of 22 miners and left about 180 injured.

An explosion 1,050 metres underground in the Forbach mine at Metz near the West German border is believed to have been caused by igniting methane gas given off by coal.

Miners were working in the pit at the time of the blast and rescue attempts were hampered by gas concentrations.

## Lebanon call to UN

Lebanon is asking the United Nations for a Security Council meeting over Israeli operations in southern Lebanon. Israeli troops yesterday kept a tight control on roads in the Shia Moslem areas on the sixth day of its anti-guerrilla drive.

## Gromyko in Italy

Mr Andrei Gromyko, the Soviet Foreign Minister, is expected to press the Italian Government to distance itself from the U.S. over the "star wars" defence strategy during his three-day visit to Italy. Page 2

## Butter for Berlin

West Berliners will be offered 900 tonnes of free butter as part of the European Community's latest EC 1.2m (\$840,000) scheme for disposing of its food surplus. Page 2

## Police dismissed

The Peruvian Government dismissed more than 1,200 police for criminal offences after investigations into allegations on theft and drug trafficking. Peru has a police force of about 65,000.

## PoW exchange

Gulf war enemies Iran and Iraq indicated their willingness to exchange prisoners of war. Iraq called for UN assistance in starting the exchange.

## Ethiopian claim

Ethiopia's leader Mengistu Haile Mariam accused Western nations of using the drought in Africa as a weapon to advance their political aims.

## Oslo spy trial

Arne Treholt, a former Norwegian junior minister accused of spying for the Soviet Union, was blackmailed into continuing his alleged activities after an orgy in a Moscow flat, his trial in Oslo was told. Page 2

## Pakistan violence

Three people were killed and several injured in violence in Pakistan participated in the country's first general elections for eight years. Page 3

## Tear gas fired

South African police fired tear gas at a crowd protesting about rents at the "coloured" (mixed race) township of Atlantis, north of Cape Town.

## Hostages freed

Filipino commandos freed a bishop and eight other hostages held by Moslem guerrillas on the island of Mindanao.

## Slave claim

Five hundred Nigerians were used as slaves in Equatorial Guinea and are now missing, according to the Nigerian Government.

## Teachers strike

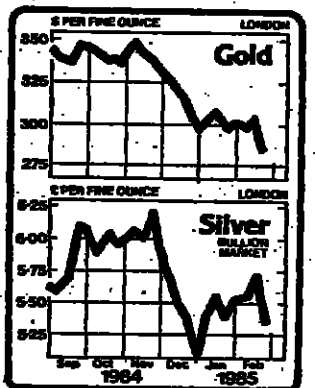
Thousands of teachers in England go on strike today in support of a 12 per cent pay claim.

## Twist in battle for Wheelock Marden

HONG KONG-based shipping billionaire Sir Yue-Kong Pao bid HK\$322m (\$45.5m) for quoted Wheelock Marden associate, Allied Investors. Page 16

DOLLAR rose in London to DM 3.4510 (DM 3.3870), a record FF 10.55 (FF 10.37) and SwFr 2.6165 (SwFr 2.5965), but was weaker against the strong yen at Y282.6 (Y282.75). On Bank of England figures, its exchange index rose to a record 157.1 from 155.1. Page 33

STERLING lost 2.25 cents in London to close at \$1.0545. It also fell to DM 3.0425 (DM 3.05), FF 11.15 (FF 11.165) and Y278.25 (Y283.25). It was unchanged at SwFr 3.08. The pound's exchange index fell 0.6 to 70.9. Page 33



GOLD prices fell in London to the lowest level since August 1979, hit by the dollar's continued rise. The spot price lost \$14.25 to \$284.75. In Zurich it was down to \$284.25. Silver was also hard hit, with the sterling price closing 24.1p down at \$5.33. Page 32

WALL STREET: The Dow Jones industrial average closed 1.86 up at 1,277.50. Section III

LONDON equities were unsettled by pressure on sterling, taking the FT Ordinary index 7.3 lower at 908.0. Gilt edged. Section III

TOKYO stocks traded sluggishly, but the Nikkei-Dow market average reached another all-time high of 12,201.04, up 29.12. Section III

ISRAELI is having increasing difficulty in raising international credit, according to Mr Bino Zadik, general manager of the First International Bank of Israel, the country's fifth largest bank. Page 3

TAIWAN authorities have arrested 10 senior executives from the Tenth Credit Co-operative and Cathay Plastics Corporation in connection with financial problems at the two related companies. Page 15

VOLKSWAGEN, West Germany's biggest car manufacturer, increased worldwide sales revenue by 13 per cent to DM 45.7bn (\$13.5bn) last year despite labour conflict in the motor industry. Page 16

ISUZU MOTORS of Japan increased its net loss for 1984 to ¥17bn (\$65,000) from ¥5.1bn a year earlier. Page 16

TOSHIBA, the Japanese electronics concern, may acquire a majority interest in Sord Computer, the troubled privately owned software personal computer group. Page 15

RAND MERCHANT BANK, the privately owned South African bank, increased taxed profit of R2m (\$970,000) for 15 months to end 1984 compared with R1.2m the previous year. Page 16

CITIZENS & SOUTHERN Georgia, the biggest bank in Georgia, has agreed to buy Landmark Banking Corporation, Florida's fifth biggest bank, for about \$500m. Page 15

ABITRI-PRICE, Canadian forest products group, bid C\$53m (\$39.25m) for Barbeque, the country's largest envelope manufacturer. Page 15

UNITED STATES Projects, a leading Malaysian property developer, reported a 34 per cent rise in pre-tax profit to \$8.4m ringgit (\$23.3m) for 1984 despite a depressed property market. Page 16

## Central banks stay on sidelines as \$ continues surge

BY PHILIP STEPHENS IN LONDON

CENTRAL BANKS stood by powerless yesterday as a remarkable surge in the dollar's value swept it to record highs against sterling and other European currencies.

In the steepest climb over one day that traders could remember, the dollar rose by nearly 1.5 per cent against other principal currencies, with the central banks failing to mount even token resistance.

Sterling lost 2.25 cents to fall to an all-time low of \$1.0545 at the London close, while the French franc, Italian lira and many smaller currencies were at their lowest ever against the dollar. The D-Mark, which last week bore the brunt of the U.S. currency's rise, lost a further 6.3 pfennigs to end at DM 3.4510.

In the London money markets, interest rates edged higher, creating some uneasiness over the outlook for the general level of borrowing costs.

Foreign exchange dealers said that the wave of dollar buying orders from commercial customers and speculators led to frantic trading, with the dollar crashing through record highs almost hourly in the early part of the day.

The dealers cited the same factors that had boosted the dollar last week - the expectation of higher U.S. interest rates and President

Ronald Reagan's rejection of moves to depress the U.S. currency - as the reasons for the latest surge.

Central bankers acknowledged that intervention against such a strong trend would have been hopeless, although they insisted that they were keeping their options open to intervene jointly if the right occasion arose.

There are clear signs, however, that the West German Bundesbank, which has so far taken the lead in attempting to slow the dollar's rise, now believes that intervention can only be effective if the U.S. authorities play a prominent role.

Differences have also emerged between European central banks on how vigorously they should act. The Bank of England has come in for criticism from other banks for an apparent unwillingness to commit substantial amounts to intervention.

In particular, the British authorities have been attacked for failing to respond to an initiative from the U.S. Federal Reserve that would have paved the way for concerted intervention, during Mrs Margaret Thatcher's visit to Washington last week.

That has led to suggestions in some European capitals that Britain will only support joint interven-

tion when the pound is under particular threat.

Yesterday, the view of most foreign exchange dealers was that it would take massive dollar sales to stem the flow of funds into the U.S. currency and that after President Reagan's comments the Fed would not join such actions.

There is only one country that can push down the value of the dollar - the U.S. - and it is not prepared to do it, was the comment of the foreign exchange manager of a leading U.S. bank in Frankfurt.

The dealers said, however, that the markets remained wary of unilateral action by the Bundesbank aimed at sparking bouts of profit-taking in the U.S. currency.

The rise in sterling interest rates yesterday was not enough to bring any immediate threat of a further rise in the banks' base rates, particularly as sterling held up well against other European currencies.

The 0.5 point fall in the sterling index to 70.9 yesterday was mainly a reflection of dollar strength.

There is concern in the City of London, however, about the psychological impact on financial markets if the dollar's surge looks like driving the pound down to parity.

Editorial comment, Page 12; Lex, Page 14; Money markets, Page 33

## Nearly 50% of British miners back at work

BY JOHN LLOYD, ROBIN REEVES AND MAURICE SAMUELSON

HALF of Britain's miners now seem certain to be back at work this week after a record number of 3,807 men abandoned the pit strike yesterday.

The surge in the return to work follows the collapse last week of attempts by the Trades Union Congress to find an agreement to end the dispute, now nearly a year old. The National Coal Board (NCB) claimed that about 91,000 men, or just under 49 per cent of its 186,000 miners, were now at work.

Yesterday's return sparked calls from branches of the National Union of Mineworkers (NUM) at the strike's heartlands to have an orderly return to work in the near future.

In a further blow to the NUM, the area council of the Nottinghamshire coalfield - where most miners have continued to work throughout the dispute - voted by 22 votes to 11 to end immediately the 16-month ban on overtime. The decision is expected to increase the 350,000 tonnes weekly output from the coal-

field by at least 10,000 tonnes, or 30 per cent.

That would bring the NCB's weekly deliveries of coal to well over 1m tonnes, or about half of its normal weekly deliveries for the time of year of 2.25m tonnes.

Mr Roy Lymk, the Nottinghamshire NUM's acting general secretary, said after the meeting yesterday: "We have kept the overtime ban going and that in itself is a remarkable achievement, because the NCB miners have not had a pay rise for two years." A NCB miner might expect his weekly wage to be up by £50 (\$53) to between £180 and £200, with overtime.

The return to work yesterday was described by Mr Arthur Scargill, president of the NUM, as a "disaster" for the coal board who expected 8,000-10,000. But, on the board's figures, the return was most pronounced in the most solid areas of the strike.

In South Wales, the numbers at work doubled when 522 "new faces" reported for work, bringing the

area total to 1,852. It remains only 6 per cent of the area's 19,580 mine-workers - but includes in that number a few of the strike's previously most vociferous supporters.

Mr Tony Ciano, secretary of the Cynhadre lodge - which saw the biggest return, with 153 new faces bringing the pit's total at work to 296 out of 1,114 - predicted the strike would be over at the pit next week.

He said that a branch meeting over the weekend had issued a call to the area executive, meeting today, to reconvene the coalfield conference to arrange an orderly return to work.

In Yorkshire, where 1,312 miners returned yesterday, four pits - Alerton Bywater, Kellingley, Ledston Luck and Sharncliffe - have all called for a return to work organised by the area leadership. The Yorkshire area council meets today.

Continued on Page 14  
Coal industry reshapes, Page 7

## Polish food price policy eased in face of Solidarity threat

BY CHRISTOPHER BOBINSKI IN WARSAW

THE POLISH Government yesterday decided to reduce its planned food price increases and spread them over several years. It also announced that it would accept a general strike called for next Thursday would go ahead, as details of the new price proposals were not yet available.

In Solidarity's view, the price rises were meant to cover the cost of official mismanagement, waste and higher spending on the administration, police and defence.

In a separate paper accompanying Mr Walesa's statement, Solidarity economists argued that the only solution was to implement decentralising economic reforms which go further than the moves the authorities have introduced so far.

The reforms, the paper said, should include changes in the central bureaucracy, which is seen as a

barrier to opposition to a more market-oriented economy. Solidarity also asked for a general indexation of wages and pensions against rises in the cost of living.

The proposed food price increases would have little effect apart from making large sections of the population poorer.

In arguing that the present pressure on prices stems mainly from continued investment in uneconomic projects inherited from the 1970s, the union said too great an emphasis was placed on heavy industry in the economy.

The Polish Government has accused a U.S. diplomat of spying and given him 48 hours to leave the country. The diplomat, Colonel Frederick Meyer, a military attaché, was stopped last Thursday with his wife when they were taking photographs in a restricted military zone

## Israelis warm to Mubarak peace proposals

By David Lenson in Tel Aviv

ISRAELI is willing to hold peace negotiations with a joint Jordanian-Palestinian delegation provided it does not contain representatives of the Palestine Liberation Organisation (PLO), Mr Shimon Peres, the Israeli Prime Minister, said yesterday.

The idea for such talks had been put forward by President Hosni Mubarak of Egypt. His proposal, Mr Peres said, was being studied with great interest.

Mr Ezer Weizman, a minister with special responsibilities for relations with Egypt, last night called the Egyptian initiative "a positive and interesting step and a demonstration of strong leadership by the Egyptian president." It was a logical development of the frozen Camp David peace process.

The two Israeli leaders met last week during a visit to Bucharest with a senior Egyptian official who informed them of the planned initiative by President Mubarak. After that meeting, the Egyptian leader announced his proposal for breaking the stalemate in the negotiations on the Palestinian issue.

Israel has rejected all efforts to persuade it to hold negotiations with the PLO, but has repeatedly expressed willingness to discuss the future of the occupied West Bank with Jordan, from which it was captured in 1967.

The recent Jordanian-PLO accord, which spoke of Palestinian willingness to trade peace with Israel for territory, was not received enthusiastically by Jerusalem, which criticised it as being too vague on the question of PLO willingness to abandon its goal of destroying Israel.

Israel's Minister of Energy, Mr Moshe Shaleh, went to Cairo last night for the first visit to Egypt by an Israeli Cabinet Minister for years. It is believed that he will also discuss President Mubarak's initiative when he meets Egyptian officials.

Mr Yitzhak Shamir, the Israeli Foreign Minister, left the French Government in no doubt yesterday of his personal hostility to the Jordanian-PLO accord, writes Paul Betts from Paris.

Mr Shamir, who saw President Francois Mitterrand yesterday afternoon, said Israel was not mentioned in the Jordanian-PLO agreement and was therefore not concerned by it. In contrast, the French Government believes the agreement is a step towards peace.

Continued on Page 14

Credit harder to raise, Page 3; Israel may abandon fighter project, Page 5

## Baldrige calls for repeal of anti-trust rule

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

MR MALCOLM BALDRIGE, the U.S. Commerce Secretary, has proposed the repeal of a major section of U.S. anti-trust law to make it easier for American companies to confront foreign competition.

The proposal, sent to the Office of Management and Budget on Friday, should greatly reduce uncertainty over whether the Government would approve proposed mergers, Mr Baldrige said yesterday. It would enable companies in troubled industries such as steel to merge in order to phase out antiquated plants and consolidate production in more efficient ones.

Mr Baldrige gave a warning that if U.S. companies were not allowed to merge to increase their efficiency, "what you are going to see is an increase in protectionist sentiment."

At issue is Section 7 of the Clayton Act, which prohibits mergers where the effect "may be to substantially lessen competition or tend to create a monopoly." Such restrictions placed "unnecessary costs on our businesses and unnecessary impediments to competition in an expanding world market," he said.

Repeal of Section 7 would still leave in effect the Sherman anti-

trust Act, which prohibits restraints on trade, price-fixing, dividing up of markets or monopoly conditions. It would also leave standing Federal Trade Commission rules against unfair competition.

The big difference, Mr Baldrige said, was that without Section 7 of the Clayton Act, a merger would have to be proved to be in restraint of trade. Companies would not be held back from merging by language such as "may" and "tend to."

Rather than stopping mergers in advance, he said, his proposal would create a climate in which companies "would have to sin first" before being punished.

Mr Baldrige's proposal now faces a full review inside the Administration and would have to be approved by Congress. Pressing the case for repeal, Mr Baldrige said that trading conditions had changed dramatically since the Clayton Act, first passed in 1914, was updated in 1950. Then, Mr Baldrige said, the U.S. was the world's strongest industrial power and considerations of the domestic market were paramount. Now, the U.S. was faced with intense world competition, both overseas and in its home markets, where 75 per cent of the products sold by U.S. companies were subject to competition from abroad.

## Tokyo telecom talks postponed by U.S.

BY JUREK MARTIN IN TOKYO

THE U.S. has called off talks, due to start in Tokyo today, on American access to a more liberalised Japanese telecommunications market.

Mr Malcolm Baldrige, the U.S. Commerce Secretary, said in Washington that he had postponed the talks until the Japanese were more ready to discuss "specifics."

He said it was clear that the Japanese were so far only ready to discuss the issue in a theoretical fashion.

An American official in Tokyo was quoted as saying that the gap between the two sides was still "too wide" after last week's exchanges in Washington with the Japanese Ministry of Posts and Telecommunications (MPT).

The U.S. has attached particular importance to telecommunications in its present round of multifaceted trade negotiations with Japan. The two sides are bound to reconvene discussions soon, and it is thought likely that the U.S. action in post-

poning this week's session is designed to increase general pressure on Japan.

Washington also seems to have concluded that this week's talks would have served little purpose because Japan has yet to divulge details of one key document - the legislation that the MPT is now drawing up on a new telecommunications regime which is due to be in place by April 1.

Last week the MPT said it would marry of the proposed bill early next month. Two weeks ago, Mr Bill Brock, the U.S. Trade Representative, complained in Tokyo that it was unreasonable that the substance of such important legislation remained secret only weeks before it was due to become law.

On April 1, the present state monopoly, Nippon Telegraph and Telephone, will be replaced by a new Japan moves to bolster R & D, Page 5

## CONTENTS

Europe	2	Editorial comment	12
Companies	16	Europe	34
America	4	Financial Futures	35
Companies	15, 16	Gold	32
Overseas	3	Int'l Capital Markets	34
Companies	16	Letters	13
World Trade	5	Lex	14
Britain	7, 9	Management	21
Companies	15, 17, 20	Markets Monitors	23
Agriculture	32	Men and Matters	12
Appointments	8	Mining	17
Arts - Reviews	11	Money Markets	32
World Guide	14	Raw Materials	22, 28
Commercial Law	32	Stock markets	23, 28, 34
Commodities	32	Wall Street	23, 28, 34
Currencies	33	London	23, 27-29
		Technology	6
		Unit Trusts	30, 31
		Weather	14

Cyprus: pressure mounts for renewed talks	2
Zimbabwe: poll delay which Mugabe may regret	3
Central America: Honduras reassesses its priorities	4
Technology: developing uses for novel fluids	6
Editorial comment: U.S. challenge; UK business	12

China: cheering trade message for the West	12
UK job creation: back to work for a year	13
Lex: dollar; Kean & Scott; Vickers	14
Management: hard sell for a body scanner	21
Nigeria: Survey	Section IV



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## EUROPEAN NEWS

## Setback for Ireland's offshore oil hopes

By Brendan Keenan in Dublin

IRISH hopes of early production from the oil field found off the coast in 1983 received a setback yesterday.

The operator is now expected to conduct seismic studies to discover whether the field is worth developing rather than drill another well.

Two wells which were drilled after the successful initial test of 10,000 barrels a day (b/d) have proved disappointing and it will take an estimated six months at least to conduct the seismic tests and analyse the results.

The decision follows the postponement of the final closure-date for Ireland's third licensing round, amid reports that applications have been disappointing. The respected Irish Offshore Review newsletter reported that Chevron would not be a bidder in the third round, despite the fact that it would appear to have had the best results in Irish offshore waters to date.

One gas field has been producing for some years but no commercial oil field has yet been located.

Arguments over the Irish Government's attitude towards marginal fields lie at the heart of the problems with the third round. The Government has demanded up to 10% participation in a fund, with the operator carrying the development costs. Many companies feel this would make a small field uneconomical.

It is understood that the authorities must let Chevron in Chile last week with Mr John Silex, president of Chevron Overseas Petroleum, that they would reduce the participation appropriately when the size of the field is known. They were unwilling, however, to accept the consortium's view that the conditions should be laid down in advance, it is said.

The Government fears that an accumulation of small reservoirs could add up to a sizeable discovery but that the Explorer would then lose out on potential revenue.

## Mobil to close refinery at Wilhelmshaven

MOBIL OIL AG, a wholly owned subsidiary of the Mobil Corporation, is to close its Wilhelmshaven refinery in West Germany at the end of next month, Reuter reports from Hamburg.

The plant will not be dismantled, however, in case the market situation changes.

The refinery has not operated profitably since a company spokesman said that it was built for an annual capacity of 8m tonnes while actual throughput amounted to less than 4m.

## New party formed in Portugal

By Diane Smith in Lisbon

SOME 300 supporters of Portugal's President Antonio Ramalho Eanes have formally named a new party that is destined to promote the image of the Chief of State.

The new movement is to be called the Democratic Renewal Party (PRD). It groups a heterogeneous collection of military officers who sat with the President on the now disbanded revolutionary council; dissidents from the Socialist, Social Democrat and Christian Democrat parties; local authorities; small businessmen and landowners and professional people.

The party claims it will alter politics in Portugal and provide new, democratic answers for the country's political and economic crises.

This is a presidential and local election year, and the appearance of an Eanes party has been interpreted frequently as a sign that the President, who has been in office for nine years during two terms, intends to force the hand of the Christian parties, dissolve parliament and call a snap general election in which he would expect his supporters to win.

There is a hitch however: Gen Eanes cannot stand for a third term of office and is unlikely to present himself as a candidate for Prime Minister. His party therefore will have to find a surrogate candidate who could convey the general's image to sceptical voters.

## Delors warning to Community

GHENT - M Jacques Delors, President of the European Commission, urged Europe yesterday to seize opportunities presented by the "third industrial revolution."

He warned, however, that the Community, now faced with record 13.6m unemployed must avoid a widening gap between workers in new industries and those "who might be unfairly relegated to the position of embittered has-beens by the onward march of technical progress."

Mr Delors was speaking on the opening day of Flanders Technology International.

## Spain and France scour globe for somewhere to send Eta exiles

THE DEPORTATION at the weekend of two Spanish Basques from France to the Cape Verde Islands brings to 30 the number who in just over a year have been despatched to far corners of the globe in an effort to break up the French "sanctuary" of the terrorist organisation, Eta, writes David White.

The arrangement with Cape Verde, where the two men, Sr Tomas Linaza and Sr Enrique Istueta, will have their beard and lodging paid by the Spanish Interior

Ministry, comes after increasing difficulties in finding host countries prepared to take Eta members.

The expulsions took place during a visit to Spain by Sr Pedro Pires, the Cape Verde Prime Minister, to discuss economic co-operation. But both he and Sr Felipe Gonzalez, the Spanish Premier, firmly denied that there was any trade-off.

Cape Verde has agreed to accommodate up to eight Eta deportees, as the latest step in a policy which France started in January last year.

Following heavy pressure from Madrid to act against Eta commandos using France as a base, the French authorities sent 24 Spanish Basques to the Caribbean region—Cuba, Venezuela and Panama—combined with Eta's second in command, Sr Eugenio Etxebarria ("Antxon"), who was packed off to the Dominican Republic in July.

Since then, however, there has been no queue of willing hosts. France had to use its African influence to persuade Togo to take four deportees

last September. This was at the same time as it sent three alleged terrorist killers back to Spain for trial. Following a similar move by Belgium about two Eta members, they were the first extraditions to be granted by France and have not been repeated.

Deportations have caused fewer repercussions in France and in recent months Paris has pressed the Spanish Government to look for test operations. Apart from Cape Verde, negotiations have also been held with Ecuador and Peru.

The expulsions are clearly

more effective in combating terrorist activity than the standard French measures confining suspects to other parts of France, and form part of a significant increase in Franco-Spanish co-operation in the issue.

French arrests in recent weeks have included four top members of Eta, among them one of its military chiefs, Sr Juan Lorenzo Lasa Mitxelena ("Txiki"). The track down on both sides of the border, which goes hand-in-hand with Spain's offer of "reinsertion" for Eta militants who lay down arms,

is considered to have brought considerable pressure on Eta's organisation and finances.

Last week, Eta killed Sr Ricardo Sola, a senior Madrid banker, in what is believed to have been an attempted kidnapping for ransom. The murder came after a month's full in Basque violence. On Saturday, the organisation released Sr Angel Urteaga, a Basque industrialist, after holding him for five weeks. The family is reported to have paid a ransom of Ptas 150m (£275,000).

## Farm ministers wrestle with EEC wine curbs

BY IVO DAWNAY IN BRUSSELS

FARM MINISTERS of the European Community were last night preparing to negotiate into the early hours of the morning in the latest effort to agree complex rules of restraining wine production.

The talks centre on agreeing the fine detail of a programme to cut the Community's 3bn litre annual surplus, now costing more than Ecu 1.2bn yearly. An outline of the plan was first approved by heads of government at the Dublin summit in December. But, since then, hours of committee meetings have failed to resolve outstanding wrangles over how to make the restraint scheme effective.

Sig Filippo Maria Pandolfi,

the Italian Minister and current chairman of the Farm Council, told his colleagues yesterday that he is seeking final agreement during this two-day meeting.

But there remains doubts as to whether Italy is able to give sufficient undertakings on enforcement of the rules to satisfy the fears of France. A number of subsidiary issues also remain. French officials earlier this month presented a package of policing proposals that included recourse to punitive legal action against grape growers failing to present accurate statistics. However, their Italian counterparts indicated that these were unrealistic in Italy, where statistical and administrative problems are legion.

The wine issue is only one of a number of formidable items on the farm ministers' agenda. A serious struggle is also expected in the effort to agree on changes to the "superlevy," which aims to rein in surplus milk output.

Failure by ministers to accept a compromise package of milk proposals tabled last month by Mr Frans Andriessen, the Farm Commissioner, could lead to their withdrawal. Furthermore, if the ministers consequently do not pay the levy by the March 5 deadline, the Commission may withdraw some dairy financial support, thereby again raising the tension prior to next month's crucial farm price talks.

## Berlin chosen for butter 'study'

BY OUR BRUSSELS STAFF

WEST BERLINERS, among the most cholesterol-conscious citizens of the EEC, are to be the beneficiaries of a 900-tonne windfall of free Community butter—whether they like it or not.

The hand-out, announced yesterday by the European Commission, is the latest and most imaginative play so far in Brussels' unending struggle to reduce the 1m-tonne butter mountain.

Managers of the dairy sector are constantly in fear of being accused of disturbing either world or internal markets in their efforts to dispose of the butter surplus.

To dodge the critics, the Berlin butter beano is being presented as a "study." The research involves handing out

to consumers two 250-gramme packets of butter for the price of one, then seeing if consumers eat more.

By so doing, the Commission hopes it will be able to analyse whether cutting prices by half increases sales. Berlin was chosen as a suitable location for the experiment as its relative isolation should prevent an influx of outsiders buying for their deep-freezers.

But as the study—price Ecu 1.2m (£272,000) including advertising—is limited to a six-week period from April to the end of June, there seems little prospect of preventing thrifty Berliners hoarding stocks, and thus distorting the picture.

Perhaps this factor can be discounted by the independent team of economists whose find-

ings on the experiment will be published before September. However, this is unlikely to satisfy the margarine lobby whose tempers have already been frayed by the EEC's sales of 40,000 tonnes of cut-price "Christmas" butter in January.

If the Berlin research is successful, it will finally lay to rest the annual row over whether the Christmas butter hand-out does or does not increase consumption. If it does not, then at least a small 900-tonne knob, dollar, or perhaps knoll, of the mountain will have disappeared.

They will make a little extra space for the 150,000-odd extra tonnes expected to enter Community stores this year, according to estimates by Unilever, the Anglo-Dutch food group.

## Brussels seeks to ease lot of migrant workers

BY PAUL CHESTERNIGHT IN BRUSSELS

THE EUROPEAN Commission has stepped into the sensitive and highly charged area of migration policy with a series of proposals for improving the conditions of the 12m migrant population in the EEC.

"One of our primary purposes is to combat the overtly xenophobic, and indeed racist, reaction to the coming of immigration," said Mr Peter Sutherland, the Irish commissioner for social affairs.

In his first social policy initiative since taking up his post in January, Mr Sutherland has sent a communication on the topic to the council of ministers and promised that it would not be allowed to gather dust on the shelf of lost Commission proposals.

We are retouching a discredited last initiative of the Commission in 1974 with an action programme," he said. A programme was adopted in 1976 and followed up with directives in 1977.

Specific areas where the Commission sees scope for action include:

- Rationalisation of the periods of residence permitted migrant workers and their rights to work permits;
- recognition of the professional qualifications of migrant workers throughout the EEC;
- tighter supervision of existing migrant worker legislation to ensure that, for example, the 1977 directive, obliging the Ten to provide educational facilities helping adaptation to a new society while maintaining traditional cultural values, is fully observed;
- updating of social security legislation;
- securing political rights for migrants, not least the ability to vote and stand for office.

The objective of the Commission must be to bring about total freedom of movement," Mr Sutherland said.

The Commission move comes at a time when migrant workers have generally been less welcome in the EEC than in the 1960s and early 1970s when rapid economic expansion led to the need for more labour.

## Europeans 'must act together' on rising dollar

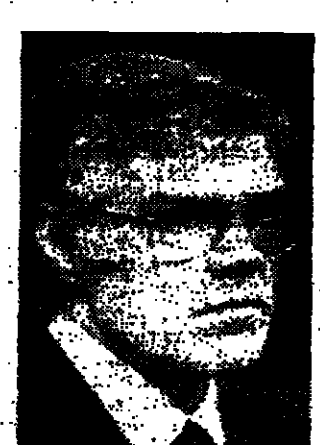
PARIS — European countries must act together to speed up growth in response to the rise of the dollar, M Pierre Berégovoy, the French Finance Minister, said yesterday.

A great deal depends on the Europeans," he said. "They must respond to the challenge posed by the dollar by reinforcing the role of the European Currency Unit (Ecu) and acting together to accelerate the European recovery."

He also warned that the dollar's record strength could lead to protectionism unless the U.S. reduced its deficits.

In an interview with the Paris paper, Tribune de l'Economie, he said: "It is completely irresponsible of the United States to make the rest of the world, especially Europe and developing countries, bear the increasingly heavy burden of their budget and balance of payments deficits."

"If the U.S. does not put its accounts in order, there will be a danger of a return to certain forms of protectionism, and that will benefit no one," Reuter.



Mr Treholt: thirteen months in jail awaiting trial

## Norwegian diplomat on spy charges

By Fay Gjerster in Oslo

A FORMER Norwegian politician and diplomat, Mr Arne Treholt (49), yesterday pleaded not guilty to charges of espionage on behalf of both the Soviet Union and Iraq.

At the opening day of his trial here, Mr Treholt shook his head repeatedly as the judge read out the 14-page indictment, which alleges that he gave agents of both countries information likely to damage Norway's security.

Looking fit and confident after 13 months' imprisonment awaiting trial, Mr Treholt later assured the court that he had never on any occasion "revealed secrets likely to injure national security."

It is alleged that Mr Treholt passed sensitive information on a wide range of foreign policy and military matters, between 1974 and his arrest in January 1984 when he was detained on leaving Oslo allegedly to meet a senior KGB official in Vienna.

When arrested, it is claimed, his briefcase contained 66 classified documents which the prosecution said he planned to give to his Soviet contacts.

The prosecution also claims that Mr Treholt was formally recruited by the Soviet Union, in the late 1960s or early 1970s, that he received money and/or other benefits for his services from Moscow and Iraq, and that most of the information he passed on was obtained in the course of his duties.

Military secrets he is alleged to have revealed include details about Norway's northern defences and the role of nuclear weapons in Nato's defence planning.

Mr Treholt, the son of a Minister of Agriculture in a former Labour Government, has been close to the Labour Party since his student days. After a stint as a journalist on the Oslo Labour Party newspaper, Arbeiderbladet, he moved into politics during the 1970s, becoming first political secretary, then deputy to Mr Jens Evensen, who was Minister of Trade and later, Minister for Law and the Sea Affairs.

When Mr Evensen retired from active politics, Mr Treholt took a job with the Foreign Ministry.

## Gromyko in Rome to press case against Star Wars

BY JAMES BUXTON IN ROME

MR ANDREI GROMYKO, the Soviet Foreign Minister, arrived here yesterday for three days of talks during which he is expected to press Italy to distance itself from the U.S. defence initiative.

The visit, Mr Gromyko's first to Italy for six years, follows a long series of attacks by Moscow on Italy's acceptance of cruise missiles in line with Nato's intermediate nuclear forces programme.

Italy has indicated for the past 18 months that it would like to help bridge the gap between the superpowers. But such a role is rather less valuable now that arms talks are about to start in Geneva.

The Italian Government has said little about the strategic defence initiative in public. Sig Bettino Craxi, the Prime Minister, remarked last Friday after meeting Chancellor

Helmut Kohl of West Germany that it was a programme "that must be studied without prejudice and without excessive distrust." Sig Giulio Andreotti, the Foreign Minister, said it "contains aspects which are positive and worthy of serious study."

The Soviet party includes Mr Nikolai Komarov, the Deputy Prime Minister for Foreign Trade. Last year Italy had a trade deficit of £4,300m (£1.9bn) with the Soviet Union, thanks to increased gas purchases and Soviet reluctance to sign new contracts with Italian companies.

This is partly because Italy finds it difficult to put forward sufficiently attractive financing terms. The Soviet Union has said it is "pushing for reduction" on the question of the contracts.

Mr Gromyko will also see Pope John Paul tomorrow.

## Union concern in Hungary as retraining scheme lags

BY DAVID BUCHAN

A SENIOR trade union official has publicly admitted that structural change in the Hungarian economy, as measured by the amount of money spent on retraining workers in new jobs, is proceeding too slowly.

Some 8,000 workers were made redundant last year, according to Mr Laszlo Gal, deputy head of the national council of trade unions. But only 5 per cent of the 200m (€3.2m) earmarked for retraining last year was actually spent.

Mr Gal added that redundancies were a normal feature of technological progress.

Official mention of even temporary redundancies is unusual in Eastern Europe, where

full employment is an article of ideological faith, and Mr Gal's comments are a measure of the deep change the Budapest authorities want to make in the Hungarian labour market.

According to Mr Gal, the unions dislike the sharp price cuts introduced earlier this month, but accept Government arguments about their necessity.

Price increases of 18 to 30 per cent in food, 10 to 30 per cent in some foods, and 55 to 80 per cent in urban transport are expected to push the cost of living up by 7 per cent this year. Wage rises and special pension and child allowance payments will offset much of the impact, however.

## Danish unions warn of widespread pay strikes

BY HILARY BARNES IN COPENHAGEN

DANISH MANUFACTURING industry, the power utilities and the oil and petrol distribution system will be paralysed by strikes from March 4 unless progress is made over the next few days in the collective wage bargaining between the union and employers' organisations.

Both sides are gloomy about the chances of agreement. The unions have issued strike warnings for 250,000 of the

280,000 workers employed under collective agreements with the employers' association.

According to the unions the employers' cost amounts to 2 per cent. They demand reductions in the working week and general wage increases, with more for the lowest-paid.

Denmark recorded a provisional foreign trade deficit in January of Dkr 1,200m (€98m).

The almost double for the same month last year.

## Strauss under arms fire

THE RIGHT-WING Bavarian

leader, Herr Josef Strauss, came under fire yesterday for proposing that West Germany should sell arms to the Middle East, Reuter reports from Bonn.

The opposition Social Democrats and official German-Israeli Friendship Society con-

demned his remarks, made in an interview in Bild newspaper. Herr Strauss, leader of the Christian Social Union in Chancellor Helmut Kohl's coalition, arrives in Israel on an official visit today. In the interview he supported the sale of West German Leopard tanks to Saudi Arabia.

## Tackling the Cyprus problem with diplomacy and a little influence

Andriana Ierodiakonou reports on mounting pressure for renewed talks in March

THE CYPRUS diplomatic ball is about to be set rolling again, following the return of United Nations Secretary General Sr Javier Perez de Cuellar to New York this week after a month-long official tour abroad.

Sr de Cuellar will be trying to bring Cyprus president Mr Spyros Kyprianou and Turkish Cypriot leader Mr Rauf Denkash together again for a repeat attempt at reaching a settlement to reunify the island.

The two men failed to agree on a draft settlement during a meeting in New York in January. The Secretary General has set a March target date for the next meeting. If this is to be met, Mr Denkash must be persuaded to abandon the contention that he cannot meet Mr Kyprianou before holding June elections to renew his mandate in the occupied north.

Northern Cyprus has been occupied since 1974 when Turkish troops were sent in after a Greek junta coup against the Government of Archbishop Makarios.

The UN is presumed to be relying on U.S. behind-the-scenes influence on Mr Denkash. The U.S. has supported

UN peace efforts for Cyprus in the interest of getting increased military aid levels for Turkey passed by Congress and reducing tensions between Greece and Turkey in the North Atlantic Treaty Organisation.

American intervention last November induced Mr Denkash to give up a demand for a rotating presidency and to come up with his most generous territorial offer to date, according to which about one-fifth of the 37 per cent of Cyprus held by Turkish troops would be returned to the Greek Cypriots.

These concessions made the January meeting possible and it is now hoped that similar influence will bring about a second meeting with Mr Kyprianou in the next few weeks.

Britain, which has two military bases in Cyprus under the 1960 independence agreement of which it is a guarantor, is also understood to be playing a supporting backstage role.

Within his own community, Mr Denkash is being pressed for a settlement by the left-wing

Communal Liberation Party and the Republican Turkish Party, which account for about 45 per cent of the vote.

Left-wing leaders report strong disappointment among the Turkish Cypriot public following the January failure. A key incentive for a settlement appears to be the desire to catch

The UN is keeping its eyes fixed on the next meeting. The key concern, UN officials say, is to pin down both the procedure and the substance in order to avoid a repeat of the January failure.

up economically with the Greek Cypriots, whose £4,200 annual per capita income contrasts sharply with the 1984 annual income in the north.

Hopes that tourism and trade would improve after the unilateral declaration of an independent state in the north have not been borne out. International negotiations have failed to materialise, with the exception of Turkey. The north is obliged

to continue to rely heavily on about \$30m (£22m) in annual economic aid from Ankara.

Left-wing leaders, however, say they wield little real political power. This, they say, lies firmly in the hands of Mr Denkash and his National Unity Party, which takes an uncompromising view on giving up

statehood and going back to life with the Greek Cypriots, and will remain there as long as the Turkish Cypriot leader enjoys the support of Ankara.

Conversely, they agree with foreign diplomats in Nicosia that Ankara is the key for influencing Mr Denkash towards a settlement.

In the south meanwhile, Mr Kyprianou has been locked in a grim battle for political

survival since his return from New York.

The Cypriot president is being challenged by the two main opposition parties—the pro-American DYSY, led by Mr Glafkos Clerides, in unlikely but effective alliance with the pro-Moscow Communist, Akel group. The two parties share approximately 65 per cent of the Greek Cypriot vote.

The Soviet Union has also been supporting the UN peace initiative. Moscow is interested in preserving a non-aligned state in Cyprus and preventing the partition of the island between two Nato countries, Greece and Turkey.

Mr Clerides and Akel both argue that at the January meeting Mr Kyprianou should have signed a preliminary agreement text laying down a bizonal, federal republic as the general framework for a Cyprus settlement, leaving the details to be agreed by joint working groups.

Mr Kyprianou's position was that working groups should take over only after he and Mr Denkash had negotiated the

blank in the text on four major issues: the timetable for Turkish troop withdrawal, the guarantees for the future federal state, the right of free movement, settlement and property ownership within the state, and the precise areas of the occupied territory to be handed back to the Greek Cypriots.

Mr Kyprianou said in an interview that a future meeting must lead to agreement at high level "on at least some of these issues."

The Cypriot president dissolved a coalition with Akel before going to New York. On his return he offered to form an alliance with Mr Clerides, but was turned down.

Mr Kyprianou appears determined, however, to hold out against calls by Mr Clerides for new presidential elections, on the grounds that he is now heading a minority government.

Under Cyprus' presidential system of government, Mr Kyprianou's mandate strictly speaking rests on the 36 per cent majority which won him a five-year term in office in 1983. His Democratic Party

## Technology transfer threat to space base

By Peter Marsh

OFFICIALS AT the European Space Agency (ESA) have identified transfer of technology as the main possible stumbling block in the negotiations between the U.S. and Western Europe over collaboration in the international space-station project.

The officials believe that restrictions that the U.S. Government imposes, primarily for military reasons, on the flow of technical ideas to Europe could impede co-operation in the joint effort to construct the manned orbiting base for the early 1990s.

Professor Belmar Linstedt, director-general, is to meet Mr James Beggs, the U.S. Government's top space official, in Washington next week when transfer of technology will be high on the agenda.

The ESA and U.S. Government last month to seek collaboration on the space station's design. The orbiting base, for civilian uses only, is due to be built by a group of Western countries including the ESA nations, Canada and Japan but would be under U.S. overall control.

It will house laboratories, for example, for work in low-gravity materials processing, and instruments to monitor crop growth and minerals deposits.

The ESA is talking to the U.S. National Aeronautics and Space Administration, which Mr Beggs heads, on two separate agreements concerning the space station.

The first, which should be signed in March or April, concerns the approach to the design studies which are due to take two years. It would set out basic procedures for exchange of information during this phase.

The Agency's part in this will be to devise plans for a series of laboratory modules that would plug into the main U.S. core of the orbiting structure. Columbus could cost roughly one-fifth of the \$10bn or so needed to develop the space station.

Discussions of a second agreement will be wider and more complex. It would not be signed before 1987, by which time Western Europe would have to commit itself firmly to building the station.

This agreement would establish principles for the important technical aspects of the station. Europe to play a full role in construction, the use that European countries could make of the station, and how much of the bill for operating and maintaining the base Europe would have to pay.

The first could pose difficulties as the U.S. Government, urged on by the Department of Defence, has in recent years imposed limits on the flow of technical ideas from the U.S. to Western Europe.

One U.S. fear is that American-developed technologies, in computers or electronics for instance, could "leak" via Western Europe to the Soviet Union, which could use such techniques in military projects.

The ESA believes that the U.S. should be prepared to assist West European nations in such areas as part of the overall collaboration. Some members, France in particular, are not prepared to carry on much of the station's cost, but the provisions for technology transfer.

ESA member countries are anxious that the second agreement provides a legally-binding understanding between the U.S. and all 11 ESA countries, which the U.S. Senate would have to ratify.

As a result, while the first accord on the design phase will be a simple memorandum of understanding between the U.S. and the U.S. Senate would have to ratify.

Mr Kyprianou has also been helped by the Greek Government's approval of his handling of the New York talks. He has also benefited from a strong statement of support issued by the Greek-Cypriot Church, whose views are still lent political weight by the Makarios era.

The U.S. meanwhile, is fixing its eyes on the next meeting on the working assumption that Mr Kyprianou and Mr Denkash will be the chief protagonists. The key concern, UN officials say, is to pin down both the procedure and substance in order to avoid a repeat of the January failure. However, it remains to be seen whether Sr de Cuellar can help the Greek and Turkish Cypriots keep it moving.

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## OVERSEAS NEWS

## Singapore in bid to bring more people into political process

BY CHRIS SHERWELL IN SINGAPORE

THE SINGAPORE Government, responding to its electoral setback last December, last night confirmed plans to devolve control of the country's large new housing estates on newly created local councils.

The move is part of a wider effort to encourage political participation by the island state's 2.5m people.

It was announced by President Devan Nair at the opening of the new parliamentary session. President, who also revealed plans for vastly increased home ownership and special help for working mothers and the aged, said the Government was targeting economic growth of 5 to 7 per cent over the next years—lower than in the past.

Immediate attention this session is focused on the budget for the fiscal year beginning in April. This will be announced next Friday and will follow a rash of gloomy economic news.

Companies are going bankrupt at a faster rate than ever, and announcing sharply-increasing lay-offs. Retailers and hoteliers are battling for business. Both the property market and stock market are on their knees.

According to a recent survey of business expectations, more companies are now predicting a deterioration rather than an improvement in business—the first time this has happened since the third quarter of 1982.

Businessmen are appealing loudly for help in the budget, especially to cut labour costs through a reduction in employment taxes and wage awards.

Last week, even Mr Lee Kuan Yew, the Prime Minister, called the mood "sombre".

Fourth-quarter 1984 growth, though at a healthy 5.5 per cent annual rate, was little more than half the exceptional first quarter rate, and at the week end, Mr Lee warned that the economy was maturing and would inevitably slow down, posing difficult choices.

Beyond the budget, parliament will be the focus of attention for explicitly political reasons.

For the first time since 1983, there will be more than one dissenting voice in the Chamber, because Singapore's voters elected two opposition MPs in the December 22 election. A third may also take up a new



Lee Kuan Yew... business mood is sombre

"non-constituency" seat. Mr Chiam See Tong, of the Singapore Democratic Party, will join Mr Ben Jeyaretnam of the Workers' Party, who has ploughed a lonely furrow as the sole opposition MP for three years, since winning a by-election in 1981.

All eyes are on them to see how they use their position—and how the Government responds.

Some reforms have already been mooted by ministers. Apart from the town council, ideas, Mr Goh Chok Tong, the new First Deputy Prime Minister and the man now positioned to succeed Mr Lee, has talked of creating a Government unit to hear people's ideas, petitions and complaints.

The proposal reflects the ruling People's Action Party's shocked realisation that its old system of committees let it down in December.

Similarly, Dr Tony Tan, who is Minister of Education and Finance, has promised a review both of the politically disastrous policy of giving children of graduates mothers priority in choice of schools, and of the disliked system of streaming.

Last night, the President's speech, however, promised only "equal opportunities" in education.

All these developments coincide with the much-vaunted emergence of Singapore's "second generation" leaders—bright young men recruited in the 1970s and 1980s by the "old guard" of the People's Action Party to take over decision-making.

## Israel 'finds credit harder to raise'

By David Lennon in Tel Aviv

ISRAEL IS experiencing increasing difficulty in obtaining credit overseas, Mr Bino Zadik, general manager of the First International Bank of Israel, said in the bank's annual report for 1984.

"Israel and the banking network," Mr Zadik declared, "have problems obtaining credit lines overseas. We are continuing to receive credit, but for shorter periods and smaller sums than hitherto."

First International, the country's fifth-ranking bank, had no difficulty in obtaining credit, he said, but there were problems for the country's banking system as a whole and the entire credit standing of the country.

Mr Zadik said the U.S. Administration to act as host in direct peace talks between Israel and members of a joint Jordanian-Palestinian delegation, according to The New York Times, as reported by AP from New York.

In Washington, however, a White House official said the U.S. would not take a direct role until Israel and Arab nations agreed to negotiate.

Postponed elections may hit Harare's budget, Tony Hawkins reports

## Delay which Mugabe may regret

LAST WEEK'S postponement of Zimbabwe's first post-independence elections from March to June has far-reaching implications for the country's economy.

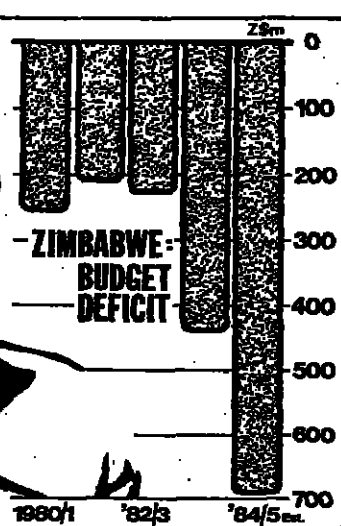
While the outcome of the elections would seem to be a foregone conclusion—with Prime Minister Robert Mugabe confidently expected to increase his parliamentary representation from 58 of the 100 seats to 65 or more, chiefly at the expense of Mr Joshua Nkomo's Zanu, which has 19 seats—there is concern in business quarters that the postponement could cause delays in reaching important economic decisions.

For a start, the delayed elections will almost certainly mean that the 1985-86 budget, scheduled for late July, will not be presented until August or September. Because Zimbabwe has been negotiating with the International Monetary Fund for a new standby facility and because the fund is anxious to see major reductions in the budget deficit, it could be that these negotiations will be held up too.

Late last month, Dr Bernard Chidzero, the Zimbabwe Finance Minister, tabled additional expenditure estimates in the House of Assembly, taking the 1984-85 budget deficit to a forecast Z\$681m (\$596m), or about 11 per cent of estimated gross domestic product. Although the



Mr Robert Mugabe



Zimbabwe economy is expected to achieve positive real growth of between 3 and 4 per cent this year—after three years of declining GDP—government revenue is unlikely to grow rapidly enough to bring this deficit down without some significant reductions in public spending. Earlier in the year, Mr Mugabe criticised the IMF, which he said had suggested Zimbabwe reduce spending on education which in 1984-85 is estimated at more than 7 per cent of GDP.

Farmers are concerned that

the postponement of the elections could delay crop price announcements for 1985 and specifically a decision over the producer price for wheat. Following excellent rains, Zimbabwe is set to produce a bumper grain crop in 1985 after three years of drought, with maize deliveries to the state marketing board being forecast at around 1.6m tonnes as against 940,000 tonnes last year.

But some wheat producers have warned that although adequate water will be available to grow an irrigated winter-

wheat crop this year they are reluctant to commit themselves to the crop, which is only marginally profitable at present, unless the Government agrees to an increased price.

This is an important political issue: with the Government under pressure to restrain spending and reduce subsidies, higher producer prices for farmers will have to be passed on to the consumer. Some ministers are unhappy at the prospect of food price rises being announced before the elections, especially as real wages and employment in Zimbabwe have been falling for the last two years.

An issue of major importance to foreign companies is the promised review of last year's temporary ban on dividend and profit remittances by foreign companies. The ban was imposed in March 1984 as part of a programme to stabilise Zimbabwe's external payments.

With exports estimated to have increased more than 20 per cent in 1984, reflecting strong U.S. dollar prices for ferrochrome and tobacco, a doubling of exports of manufactured goods and improved cotton and tobacco volumes, there has been speculation that the Harare authorities would like to ease the dividend remittance ban this year in order to try and stimulate foreign investment. This decision, too, could be delayed.

## Move to end Tanzania deadlock with IMF

By Michael Holman

EFFORTS TO resolve the five-year-old deadlock between the International Monetary Fund (IMF) and Tanzania over terms for a proposed loan are due to begin in Dar Es Salaam this week.

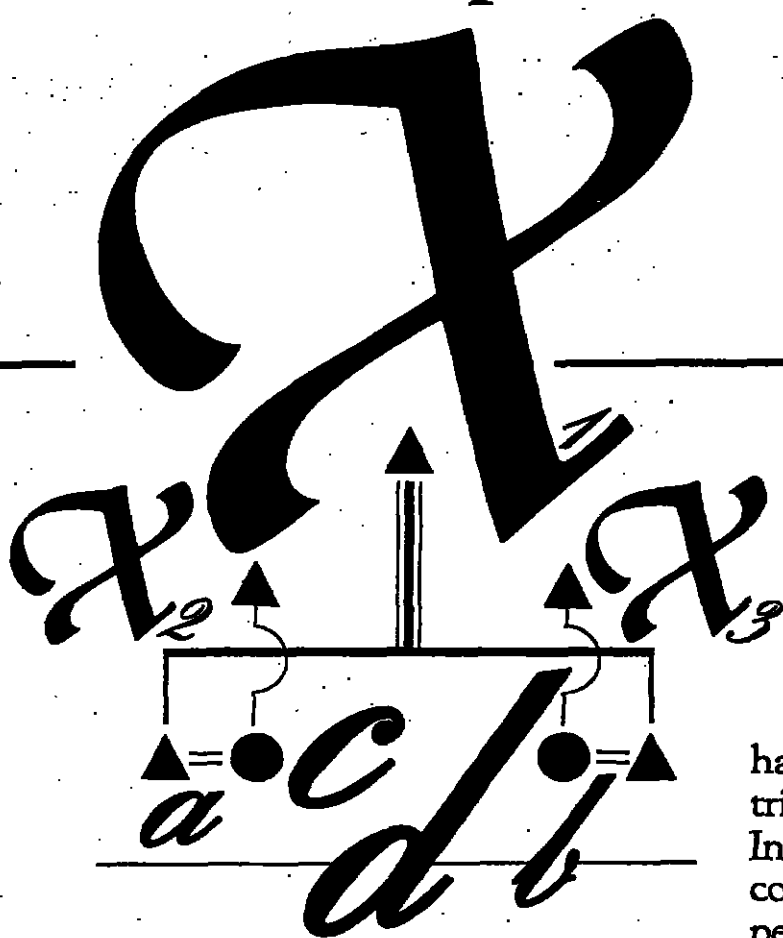
A delegation from the Fund will meet senior Finance and Central Bank officials for the first time since September 1984, when talks held in Washington ended without agreement on two key issues—the size of the devaluation required by the Fund, and a call for further cuts in food and other subsidies.

A 1980 loan programme worth SDR180m (£112m) proved short-lived when Tanzania failed to meet conditions attached to the loan.

Since then, Tanzania has been one of Africa's leading critics of the Fund. Last June, the Government's budget, which included a 25 per cent devaluation of the Tanzanian shilling and a cut in the subsidy of maize meal (the staple food), and fertiliser, went part of the way towards meeting the Fund's terms, "but not far enough," according to a senior Tanzanian official.

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## Thai Government approves belt-tightening budget

BY BOONSONG KTHANA IN BANGKOK

THE THAI Government yesterday approved a belt-tightening budget of Baht 218bn (\$7.2bn) for the next fiscal year ending September 30, 1986.

The budget, representing a marginal increase of 2.4 per cent over the current budget, was endorsed yesterday by the Council of Economic Ministers, headed by the Prime Minister Gen Prem Tinsulanonda.

Mr Sommai Hoontrakul, the Finance Minister, said a tighter budget was necessary, since the Government's ability to collect

revenue was limited, but that the inflation rate would be low.

Revenue collection next fiscal year is estimated at Baht 183bn resulting in an expected budget deficit of Baht 35bn (\$1.16bn).

Mr Sommai stated that budget allocations for government programmes would be the same as 1985, but the obvious increase in allocation will be for foreign debt repayments estimated at Baht 51bn—roughly Baht 7bn higher than in the current fiscal year.

## Voter turnout gives fillip to Zia in Pakistan poll

BY OUR FOREIGN STAFF IN ISLAMABAD AND LONDON

EARLY indications of voter turnout yesterday in Pakistan's National Assembly gave a fillip of support to President Zia ul-Haq's call for an endorsement of his policies.

In the country's first parliamentary poll in eight years, turnout was estimated at between 10 and 20 per cent, while the rural areas saw a swell of voters amounting to a turnout of possibly more than 40 per cent.

President Zia has said that he would regard a voter turnout of more than 40 per cent as a sign of support for his Government.

The elections were held with nearly all opposition leaders in detention and political parties barred from putting up candidates.

This made the size of the vote particularly important for the President, who has presented the elections as the first steps towards a relaxation of military rule.

Reports reaching London quote President Zia as saying that proposed changes in the

constitution would be announced in a few days.

He is reported to have said that martial law would remain in force for a minimum necessary period after the elections and "it is not a question of a year or years but only of months."

Despite calls from the Movement for the Restoration of Democracy, the opposition alliance, for Pakistanis to abstain from voting, the reportedly high voter turnout in the rural areas reflects the greater importance given to local issues in these largely illiterate areas.

The election involved voting for candidates whose future powers have not yet been decided. President Zia said proposed amendments to the constitution were not disclosed before the elections so as to ensure that the country's attention was not diverted from the election campaign.

Electoral violence was scattered and relatively light compared with incidents in earlier elections, although three people were killed and several others injured.

## Queensland power row drags on

BY MICHAEL THOMPSON-NOEL IN BRISBANE

THE QUEENSLAND power dispute, which has cost industry an estimated A\$1bn (\$650m), was still in an uneasy state of truce yesterday, with the state government pressing its case for anti-strike legislation as the price for reinstating 920 sacked electricity workers.

Sir John Bjelke-Petersen, Queensland's premier, says the sacked workers will be re-employed on the basis of a 38-hour week, a 10-day fortnight, and an agreement not to strike, against a nine-day fortnight and 364-hour week previously.

The current state of emer-

gency in Queensland will not be lifted until "things are properly settled," he added.

Power has been restored in Queensland, but some workers—including coal miners, seamen and dockers—are still out in protest.

The dispute started when Sir Joh's National Party state government attempted to hire non-union workers in the electricity industry.

So far, Mr Bob Hawke's federal Labor Government in Canberra has avoided a potentially damaging showdown







## WORLD TRADE NEWS

## Sinclair seeks role in French school computer project

BY DAVID MARSH IN PARIS

SIR CLIVE SINCLAIR, head of Britain's Sinclair micro computer concern, this week is dispatching a letter to M Laurent Fabius, the French Prime Minister, urging the Paris Government to include his company in its new programme to boost use of computers in schools.

Sir Clive's action is part of a lobbying drive by several major groups — including IBM and Apple of the U.S. — to secure a firmer foothold in the French educational computer market as a result of the schools plan. Sir Clive is also planning an approach to the EEC Commission to try to ensure that European companies can participate in the programme.

The Government is paying lip service to the idea of choosing some foreign computers, but has already made clear that the bulk of the orders will go to French industry, led by Thomson and Bull, the state-owned electronics group.

Sinclair, which is in the throes of a partnership with IBM to produce its computers in France, has carved out a large share in the country's domestic computer market.

Representatives of the British embassy in Paris on Friday called on officials working for M Gilbert Trigano, the chairman of holiday village operator Club Méditerranée, who has been called in by M Fabius to supervise the schools programme.

Under the plan, announced at the end of last month, 120,000 computers are to be installed in educational establishments by the start of the school year this September.

Sinclair has been making a big effort to break into schools by developing educational software. It has also been selling machines by "backdoor" routes — for instance, through parent-teacher associations — to combat the official buy-French policy up to now put into place for schools purchases.

Company officials in Paris say Sinclair could be forced to modify its plan to start manufacturing in France as a result of any adverse decisions over schools. It has been in contact with a number of French companies — including telecommunications group CIT-Alcatel, over the possibility of subcontracting or using existing production facilities.

## GM awards Lucas \$15m U.S. headlamp contract

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A CONTRACT worth at least \$15m (\$13.8m) over the next two years to supply General Motors with headlamps for a new, large-volume car to be launched in the U.S. in 1986 has been won by the lighting division of Lucas Electrical, the UK motor vehicle and aerospace components group.

The deal represents a major breakthrough in the North American market for the UK company's DMC (dough moulding compound) headlamp technology. Lucas will also provide Fisher Guide, GM's lamp manufacturing subsidiary, with technical assistance on replacement bulb headlamps.

Fisher Guide has also contracted with Lucas for the supply of headlamp products for two additional new GM cars scheduled to be launched in 1987.

DMC components for the new 1986 GM model will be made by Lucas at its lighting division headquarters in Camock, Staffordshire, and under licence at Fisher Guide's plant in Monroe, Louisiana. Deliveries from the UK are expected to begin in July.

DMC is reinforced thermoplastic material, patented by Lucas, which enables car and commercial vehicle headlamps to be produced which offer greater light output and better wind-cheating shapes than conventional lamps with metal reflectors, according to the company.

## Spain pays \$500m LNG penalty

By David White in Madrid

SPAIN has obtained a reduction of more than 20 per cent in its contracted purchases of liquefied natural gas from Algeria, under a protocol agreement signed in Algiers at the weekend.

It will have to provide, however, \$500m (\$468m) in compensation for having failed in its side of the bargain up to now, and will henceforth pay the same premium price for the gas as the French, Belgians and Italians.

The indemnity to be paid by Spain is made up of \$300m in retroactive price increases and \$200m to compensate for investments made by Sonatrach, the Algerian state oil and gas company, at its Skikda complex in order to fulfil the long-term contract signed by the two countries in 1975.

### Revision clause

The row arose because Spain was only taking about a third of the gas envisaged in the original "take or pay" contract and because Algeria was pressing for a higher price.

The Spanish deal is now being brought into line with the so-called "European price" of \$3.89 per million British thermal units, an increase of about 30 per cent. The agreement includes a three-year revision clause, and Spain has the right to demand negotiations if world prices fall sharply.

The reduced purchase is spread over a further 20 years instead of the 14 remaining in the original agreement. Spain is to buy a total of 60bn cubic metres during this period, in quantities rising from 1.5bn cubic metres in the first three years to 2.5bn at the end of the contract.

The total is 14.2bn cubic metres less than the amount outstanding under the original agreement. Between 1979 and 1984 Spain lifted only 7.3bn out of the 18.5bn it had contracted to buy — leaving 11.2bn cubic metres outstanding — and from now to 1998 it was to have taken a further 8.5bn.

## Israel may abandon Lavi fighter aircraft project

ISRAEL'S AMBITIOUS programme to build an advanced ground attack jet fighter, the Lavi, is being reconsidered after \$700m (\$650m) have already been spent on development costs, David Lennan writes from Tel Aviv. Israel may abandon the project and opt instead for co-production of a U.S. fighter.

Mr Yitzhak Rabin, the Defence Minister, was reportedly shocked when an independent review of the programme revealed that development costs for the plane would

be far in excess of the \$1.5bn originally estimated. A figure of \$2bn is already being bandied about and it may go higher still.

Each of the 300 planes to be built for the Israel Air Force were originally estimated to cost \$10.5m, a figure which many independent experts regarded as unrealistically low.

The Lavi is not the first jet to be built in Israel. The state-owned Israel Aircraft Industry company has been building the Fouga trainer under licence

from France for many years and for 10 years has been building its own fighter, the Kfir, which is based on the stolen plans for a type of French Mirage jet.

Authorisation for development of the Lavi, which is based on the General Dynamics F-16 fighter, was given in 1980. It is to be powered by Pratt and Whitney's 1130 engine which is to be assembled at the financially troubled Beth Shmesh engines plant.

The U.S. Government has

been providing \$250m a year to fund the development costs of the Lavi. But recently Washington let it be known that even if the project is scrapped, as many in the Pentagon believe it should be, this sum will still be granted to Israel as part of the military aid package.

Because of soaring costs at a time when ways are being sought to cut the defence budget, the Ministry of Defence is now considering abandoning the project. Instead of producing the Lavi, Israel may con-

sider a co-production deal with General Dynamics to assemble the F-16 in Israel, or with Northrop of the U.S. to help develop and build the F-20, according to a report in Ma'ariv newspaper yesterday.

Dozens of companies in the U.S. and a few in Britain have contracts with Israel Aircraft Industry to provide various elements of the Lavi which is due to be operational by 1990-91. It is not known what would happen to these contracts if the Lavi project is scrapped.

## World shipbuilding orders fall

BY ANDREW FISHER, SHIPPING CORRESPONDENT

NEW world shipbuilding orders fell to their lowest level since mid-1983 in the last quarter of last year and were also well below actual production, Lloyd's Register of Shipping's latest figures show.

Japan showed a sharp drop in new orders, though most other major shipbuilding countries recorded rises, notably South Korea and the U.S. But West Germany and Spain were well down.

Total new orders booked in the last three months of 1984 were 30.7m gross tons against 31.4m tons in the third quarter and 32.6m tons in the final

quarter of 1983. This was well below the levels of the early and mid-1970s, the low point being reached in early 1979 with around 25m tons. The latest figure was the lowest since the second quarter 1983 level of just under 30m tons.

Lloyd's said that the 3.8m tons of new orders placed during the fourth quarter of last year was about 1.2m less than total output during the quarter.

Orders received by Japanese yards, which had risen sharply in the third quarter, fell by 1.2m tons to 13.1m, while South Korea recorded a 265,000 ton rise to

5.8m tons. The number three country in the industry, Brazil, gained only 47,000 tons to 1.5m. Nearly 70 per cent of the world order book is due for delivery by the end of this year, Lloyd's said.

Reuter reports from Tokyo: Japan's Transport Ministry has extended a two-year curb on shipbuilding industry production for another two years, beginning April 1, 1985.

Total shipbuilding volume has been set at 4.10m compensated gross registered tonnes for the years 1985-86 and 4m CGRT in 1986-87.

## Jurek Martin reports on a government-backed project to assist the private sector

## Japan moves to bolster research and development

BARRING UNFORESEEABLE Parliamentary complications, by October 1, Japan's Ministry of International Trade and Industry (MITI) should have in place a project designed to help remedy the country's perceived deficiencies in basic scientific and technological research and development.

The scheme, a year in the making and outlined in a recent Bill presented to the Diet, is a classic MITI device in that it involved relatively small amounts of Government funding but a good deal of Government-to-private sector co-operation and, though less clearly, direction.

As such, it invites comparison with official policy in other nations, especially the UK and, to a degree, the U.S., where Government roles and budgets are becoming less intrusive and important. It may also invite criticisms, especially from the

U.S., of the extent to which it may be seen as another example of the often-attacked Japanese industrial policy at work with its implications of hidden subsidies.

Mr Hisashi Hosokawa, director of the industrial structure division of MITI's industrial policy bureau, sees nothing sinister and a lot of constructive in the project. Indeed, he maintains strongly that Japan and the U.S. agree that sponsoring non-defence research and development is "a reasonable Government activity" so long as it stops short of official involvement in, or subsidy of, actual commercial production.

Total annual Japanese spending on R & D, according to Mr Hosokawa, amounts to about ¥6,000bn (\$23bn), of which the private sector accounts for ¥4,000bn. As a percentage of national income, Japanese outlays are near the average for

OECD countries, though the government-funded share is well below the norm.

But, of private sector activity, ¥2,500bn goes into product development, ¥900bn into applied research and only ¥200bn into pure, or basic, R & D, Japan's supposed Achilles heel.

The MITI project would tackle this by setting up the Centre for the Research Facilitation on Fundamental Technologies (Creft). Its manifold purposes would include providing risk money to private companies with what are deemed worthwhile R & D schemes, and it would otherwise co-ordinate and perhaps, though to an unspecified degree, channel research energies into given directions.

True to form, the financial backing is modest: an initial foundation of ¥12bn (half from direct Government funds, a

quarter from the Government-owned Japan Development Bank, and a quarter from the private sector); operating funds from the national budget have been set at ¥4bn for the initial six months and, presumably, roughly double that over a full fiscal year thereafter. But this would still only be equivalent to 4 per cent of what the private sector is now spending on basic R & D.

Creft will be staffed and run by private companies and independent experts and will pick its own projects, with MITI in the background. In practice, it is almost inconceivable MITI's influence will be that passive.

Mr Hosokawa also drew attention to the international aspects of the project. Foreign concerns, he says, may apply to Creft if they have bases in Japan or are engaged in substantive co-operation with

Japanese companies. It is also intended to invite the participation of foreign researchers.

Whether this can amount to anything is another matter since the general policy of the Japanese government has not been to provide funding, or indeed many other favours, to foreign companies. But MITI is one of the more internationally-minded government departments—certainly more so than the Ministry of Education, under whose purview much Japanese academic and institutional research is conducted and with whom MITI has its bureaucratic wars.

At the very least, there will be keen interest in Japan and overseas in the course of this new project, if only because it is a MITI creation and the Ministry is reckoned to count, perhaps more than it actually does.

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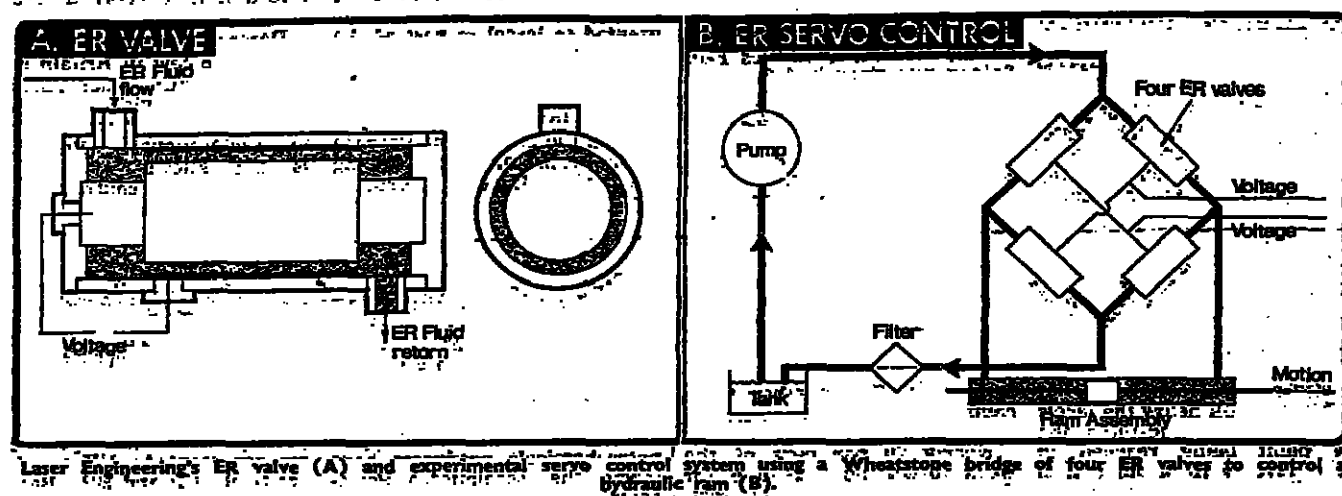
## TECHNOLOGY

EDITED BY ALAN CANE

CONSORTIUM FORMED TO DEVELOP APPLICATIONS FOR NOVEL FLUIDS

## Kitchen chemists get cooking

BY DAVID FISHLICK, SCIENCE EDITOR



A STRANGER could have been forgiven for thinking that he had stumbled upon a clandestine cookery class at times during the discussion of electro-rheological fluids at the Institution of Mechanical Engineers in London.

Rarely can its hallowed Faraday Room have echoed the argot of so many disciplines simultaneously and above all of kitchen chemistry.

An electro-rheological (ER) fluid is one whose mechanical properties—viscosity, for instance—change dramatically when an electric field is applied. An oil or paste can be switched instantly to a solid and back again. Speakers likened their ER fluids to porridge, in metaphorical to plain.

A clutch that uses the ER principle was patented as long ago as 1947. Starch suspended in oil in a stable dispersion provides an early example of an ER fluid. One speaker said self-lubricating floor and sunflower oil works too.

It is daunting that if the bizarre properties of ER fluids are to find commercial uses, chemists and engineers must work closely to understand them and design stronger and less corrosive fluids. The challenge is attracting such companies as ICI with its facility for synthesising new molecules and a newly-declared interest in "electronic chemicals".

An ER fluid is a suspension of small, porous particles in a non-conducting liquid. The particles are hydrophilic, water-attracting—and the carrier liquid is strongly hydrophobic.

When an electric field is applied to such a fluid, it "freezes"—ceases to flow until a certain shear stress is reached. That is a measure of the "strength" of the ER fluid.

Just how much progress ER fluids have already made in penetrating the engineer's domain was illustrated by a couple of speakers. Dr John Sproston, a lecturer in mechanical engineering at Liverpool University, who is being funded by the Ford Motor Company, described a clutch with which he is experimenting.

It comprises two plates spinning in a sealed chamber a few millimetres apart. The chamber is flooded with an ER fluid—a suspension of starch in a silicone oil. When he applies a high voltage (up to 15 kilovolts) between the clutch plates the paste fluid sets solid.

When cool, the device draws only milliwatts of power, Dr Sproston said. But as the ER fluid gets hotter, the power demand accelerates rapidly—"thermal runaway," as he called it. "Temperature effects are a menace," he acknowledges ruefully.

If he can overcome them, he believes he is on the way to closed-loop control of a conductivity variable "rheostat" based on an ER clutch.

In other words, as Douglas Brooks of Laser Engineering (Development) Ltd observed, ER fluids offer the prospect of a direct interface between electrical and hydraulic systems, with no moving parts. Brooks described demonstrations in his laboratory of the servo control of 500-800 watts of hydraulic power with just a few watts of electrical power.

Laser Engineering, a defence contractor in the City of London, makes one of the more promising ER fluids available at present, consisting of fine particles—a few microns—of the polymer lithium polymethacrylate suspended in a chlorinated hydrocarbon oil. An electrical field can switch this thick "goo" into a substance 10,000 times stiffer, and back to a goo.

Laser Engineering is at the centre of a "club" of British industrial and university research groups interested in ER fluids. The industrial members—including Automotive Products, British Aerospace, Castrol, Daimler-Benz, GEC and ICI—help to fund a collaborative research programme managed by the London-based Electro-Rheological Research Syndicate Ltd, while each pursues its own product-oriented research. "GEC Aviation," for example, has just applied for a patent on what may be the first commercial use, in a test rig for printed circuits.

Douglas Brooks's work is funded by the syndicate, which has a fund of £20,000 from each of its industrial members for pre-competitive research on ER fluid technology. Brooks has demonstrated an ER fluid valve with no moving parts, as shown in the sketch. The ER fluid flows through the narrow annulus. When an electric field is applied to the flow path, the valve shuts off.

By arranging four ER valves with much the same pressure drop in a Wheatstone bridge circuit (see sketch), he has

effectively made a very simple servo valve system. It can switch a hydraulic pressure of up to 60 bar (1,000 lb per sq in) on and off at frequencies as high as 200 times a second. At 400 Hz, his pumping rig begins to resonate. Brooks says he can develop 150 lb of thrust on the ram shown in the sketch. "We really are talking about sizeable engineering loads."

Such a scheme, involving simple, inexpensively machined servos, could find a use in guided missiles, British Aerospace believes.

From the academic side of the syndicate comes a message that ER fluids are intriguing but difficult to understand, much less to improve. Dr John Goodwin of Bristol University, for example, described elegant experiments on the ER fluid that Brooks is using, in which he has found a number of characteristics. Its rheological properties are different in different field strengths, concentrations, and water content.

Water is a bugbear, confirms Dr Barry Block, from Liverpool University, but shortly to take up the new chair of GEC Aviation professor of microfluidics at the Cribbs Institute of Technology. Block says this ability to change the rheological properties of fluids using electric fields has great technological promise but is hampered at present by a poor understanding of the mechanisms involved. "In particular, the absence of a quantitative framework for the effects is hampering the development of improved fluids and the elimination of certain undesirable side effects."

"ICE Colloquium on electro-rheological fluids," he says

## Memory is the core of data back-up

Professional Personal Computing

BY ALAN CANE

THE JOURNALIST looked with satisfaction at his new personal computer complete with hard disk capable of storing 10m characters of information.

"I do not need to go to my storeroom from the Winchester to floppy," he crowed. "It will take me years to fill that disk."

So it would. Unfortunately, a fault on the disk drive eliminated most of his articles the next week, leaving him some heartburn and forcing him to find a way to back up his information as important as creating it.

Low cost, efficient data storage is important for two reasons: first, the speed at which data and program instructions can be retrieved from memory is critical to the rate of operation of the computer, whether mainframe or micro.

Second, as our journalist found to his cost, stored data which is not properly backed up is apt to disappear.

Fifteen years or so ago (just prior to the start of the personal computing era) high speed storage involved a number of magnetic media including core, magnetic wire, and, of course, tape.

Modern computing was built on core, a matrix of minute rings of a magnetic material suspended on fine wires passing through their centres through which electric current could be passed to influence the state in which each magnetised ring was in.

Magnetism flowing in one direction signified a binary digit, in the other, a binary zero.

In the late 1960s, core began to give way to semiconductor memory, where the information was stored in the electronic state of a silicon chip. It was obvious that the way to store more data was to use more chips.

Indeed, in the days when personal computing was still an occupation for enthusiasts, many home-built computers used chunks of core bought second hand from scrap dealers for a few pence.

A number of companies specialised in the creation of core stores including IBM, which managed remarkable economies of scale in producing memories for its System/360 range of computers. IBM

Magazine, Ampex has created an effective answer in a single unit.

The memory needs of a personal computer can be met in an accountancy drawing up accounts. Simple arithmetic he does in his head using the numbers and methods of operation he can remember easily (high speed store).

Other facts and procedures will probably be committed to reference books immediately available and easily referred to his mind (disk storage).

Finally, there are the references files, all the information about all his clients, safely stored away but a slow process to retrieve and select from his files.

The Ampex device combines the two vital stages in one box: a 20m byte hard disk with a 25m byte tape back up system attached with the job as simple as pushing a button.

Ampex says that any back up device be reached in just 22 seconds. It claims that conventional techniques involving the transfer of data from the back up tape to disk can take over 30 minutes.

The time taken to transfer data between the back up tape and the disk.

Ampex has incorporated intelligent electronics in the system so that it can be programmed to frequently used information in a way which means it can be retrieved in the minimum time.

Ampex also identifies relevant data either on the disk or the tape. Ampex claims its system will make core memory.

It still finds uses in military systems and in space because information once written into the core is permanent until it is rewritten. It does not have to maintain the state of the memory chip for long. It has to be rewritten many times a second to maintain its integrity.

Tests at Ampex show that its core will retain their contents in heat tests until the control wire heats up.

Today's dimensional personal computers need memories of a similar dependability because of the two reasons stated before: information must be within easy reach and it must be properly backed up.

Core storage is no longer a feasible solution for the PC range.

Tests at Ampex show that its core will retain their contents in heat tests until the control wire heats up.

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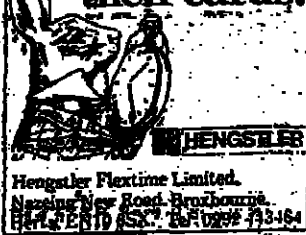
Core storage is no longer a feasible solution for the PC range.

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Core storage is no longer a feasible solution for the PC range.

It's time to give punch clocks their cards.



Communications

## Optic fibres for power line links

THE FIRST installation of a fibre optic communications cable along a 135 kilometre overhead electricity power line, to provide a telephone and signals link, has been successfully carried out by South Wales Electricity Board engineers in the Brecknock West area.

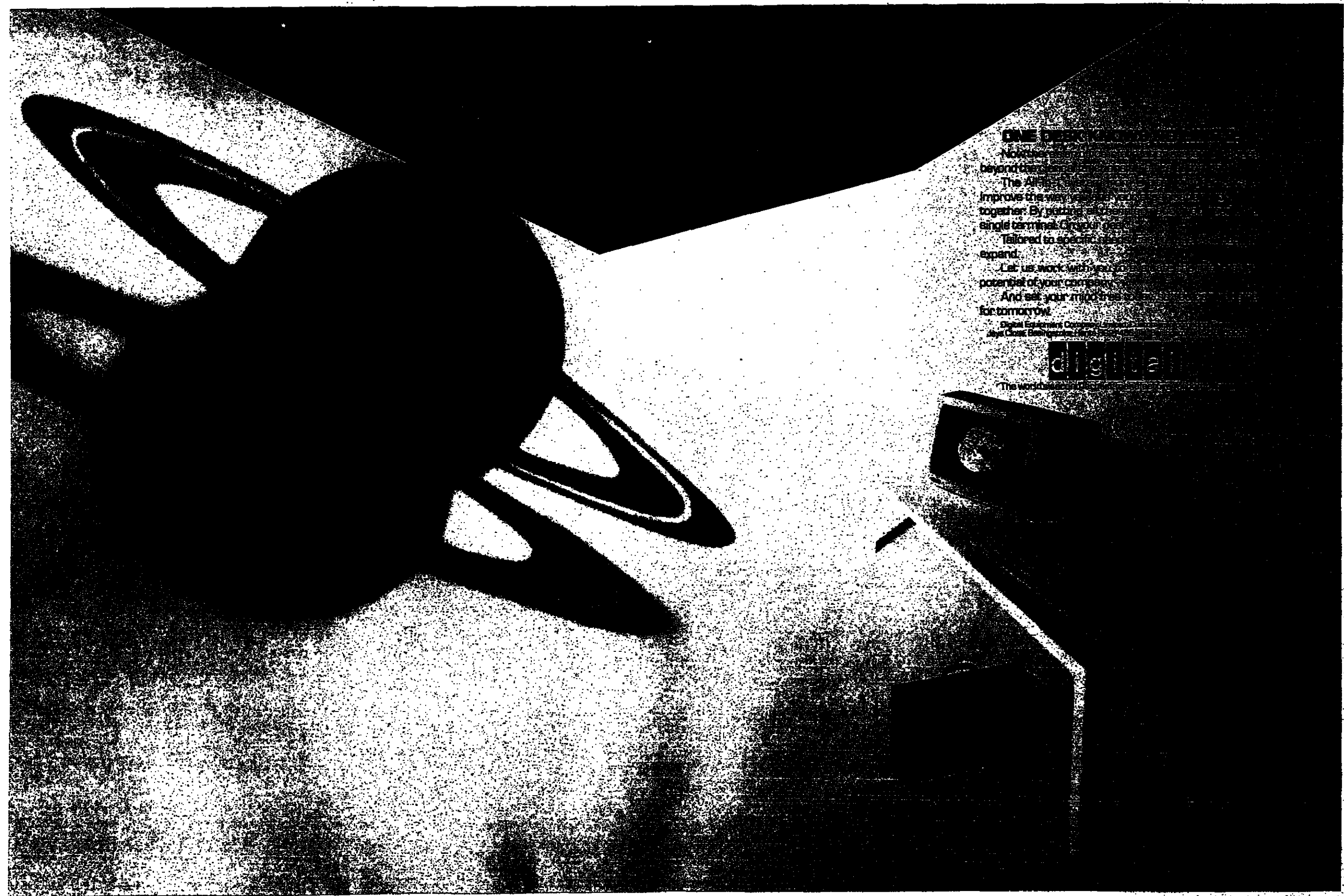
The pilot system, which has already attracted widespread interest from other electricity boards and electronic engineers, opens the way for the industry to develop its own communications networks along overhead and underground power lines.

At present, the electricity industry, which uses the communications extensively to control its networks—has either to rent circuits from public telecommunications authorities (in the UK from British Telecom) or install its own dedicated overhead or underground communications cables. These cables, which are not subject to the strong magnetic fields associated with high voltage power lines, can be very expensive.

The fibre optic cable for the Brecknock pilot system was developed by the South Wales Electricity Board, which has been working in collaboration with the University of Wales, Aberystwyth, to develop a specially designed cable for use in power lines.

The machine holds a drum of fibre optic cable and is mated along the conductor by a tube along the ground. The effect of pulling the machine along causes it to peel the cable from the drum and wrap the fibre optic cable around the supporting conductor.

ROBIN BRYCE



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## IBM fund will finance biggest business park

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

DEVELOPMENT of Britain's biggest business park is to be funded by IBM's UK pension fund. The £200m project will cover a 150-acre site in southern England, midway between Southampton and Portsmouth.

IBM United Kingdom Pensions Trust, which has total assets of about £700m - about 10 per cent of them in property - is making an initial investment of £200m to cover infrastructure, landscaping and the first buildings. The park, called Solent, is expected to provide up to 10 sq ft (100,000 sq ft) of mixed commercial space.

The Solent park, by the M27 motorway, is to be developed jointly by Harbour Properties, the property trading and management subsidiary of IBM's pension fund, and Arlington Securities, the private development group involved in some of the country's largest business park projects. IBM will provide all project finance and split the profits equally with Arlington, the developers.

The site for the business park has been assembled and acquired by Arlington, the majority partner, Parkland Estates, a subsidiary of Philip Hill Investment Trust, and Robert Fraser, the financial services group. About 100 acres of land have been sold on to IBM and the remainder of the site is expected to be acquired as development progresses.

IBM intends to retain some of the development as a long-term investment, but decisions and other financial investors will be given the opportunity to acquire freehold ownership of individual properties. Normal commercial leases will also be available.

Arlington Securities, which is widely expected to seek a public quotation later this year, is already involved in the development of a 750,000 sq ft business park at Marlow in Buckinghamshire and another 550,000 sq ft project at Newbury, Berkshire. Work on the Solent scheme is expected to start in the summer.

## Nissan chief transferred

BY OUR MOTOR INDUSTRY CORRESPONDENT

THE CHIEF EXECUTIVE of Nissan's new subsidiary in Britain has been moved to another post after only two months because he has clashed with Mr. Robert, founder and chairman of the private company which imports the group's cars from Japan.

Mr. Nobuyuki Toba, 49, took over as general manager of Nissan's British subsidiary in December. His task was to co-ordinate the efforts of Nissan's new assembly company, which is setting up a factory at Washington, north-east England, with those of the importer, Nissan UK, and to report directly to the Nissan headquarters in Tokyo.

Before arriving in Britain, Mr. Toba was a general manager in Nissan's export department in Tokyo with responsibility for Europe. Over the past four years he has become well known to the British import company - the UK is Nissan's best European export market.

His somewhat abrasive style has

not endeared him to some senior executives at Nissan UK and recently he has had serious clashes with Mr. Robert, the German who founded the import company in 1970 and has built Nissan car sales in Britain to about 100,000 a year. Matters apparently came to a head after Mr. Toba suggested Nissan would open serious negotiations to buy Mr. Robert's company because of Mr. Robert's age - he is at least 22 - and the fact he has no heir to succeed him. Mr. Robert is known to be sensitive about these issues.

Mr. Toba is to become general manager of Nissan's subsidiary based in Brussels, Belgium, a post which carries similar status to the UK position.

The new general manager of the UK subsidiary will be Mr. Mitsuya Goto, 55, head of the Belgian company and previously general manager, public affairs, in Nissan's international division.

## Anglo-French working party submits Channel-link report

BY ANDREW TAYLOR

RECOMMENDATIONS which could pave the way for the construction of a fixed link across the English Channel between Britain and France are understood to have been passed to senior UK ministers.

The recommendations, contained in a report prepared by an Anglo-French working party of senior civil servants, are due to be presented to both governments at the end of this week, after a final meeting of the working party in London tomorrow.

The report sets out the financial, technical and safety requirements which must be met if a Channel scheme is to be feasible. The next stage will be to draw up a treaty between the two countries which will have to be negotiated before work can proceed.

Matthys discussed by the working party include the need for any

bridge or other structure in the Channel to be able to withstand a collision with the heaviest super-tanker, sailing ships, container ships and immigration procedures, and which side of the road vehicles would drive if a road scheme were approved.

British customs officials, for example, have objected to working on board trains in time with French practice.

The recommendations deal with the political guarantees both governments have said they will give. The governments have said that a cross-Channel link will have to be financed entirely by the private sector.

Political guarantees will be expected to cover issues such as the long-term ownership of a fixed link and the right of operators to establish links without government interference.

The working party report is expected to be published by the two governments by the end of next month, after which surveys of cross-Channel schemes will have until the end of the year to prepare detailed financial submissions.

Three basic concepts are being considered for a crossing. These are a twin-bore rail tunnel proposed by a group of leading British construction companies, a variety of bridge crossings and a road and rail scheme involving both bridges and tunnels connected by artificial islands in the Channel.

This scheme is proposed by a group of leading British and French companies and institutions including the Transocean House, British Steel, British Shipbuilders, Societe Generale, Banque Paribas and Comptoir de l'Atlantique.

## Truck trade deficit worsens

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BRITAIN'S trade in commercial vehicles, which went into the red for the first time in 1983, worsened sharply last year. But the overall motor industry trade deficit was slightly better at £2,313m compared with £2,307m for 1983.

This was the result of a small improvement in car trade, where the deficit fell from £2,099m to £2,040m, and a much smaller balance for parts, accessories and other motor products - up from £429m to £622m.

Britain's commercial vehicle producers have been suffering badly as a result of difficulties in their traditional export markets such as Nigeria and other parts of Africa where foreign currency is not available for imports.

Producers in continental Europe have been "gunning" into the UK market to compensate, in particular, for the downturn in Middle East orders. The importers' share of the UK heavy truck (over 3.5 tonnes gross weight) sector rose from 31.7 per cent to a record 44.5 per cent last year.

As a result, the value of commercial vehicle exports has dropped sharply from £2.1bn in 1982 to only £2.0bn last year. Imports jumped from £1.7bn to £2.0bn in the same period.

The number of cars exported from the UK last year fell from 273,618 to 216,172, mainly reflecting problems with the biggest export contract - Renault's deal to send cars

kits to Iran where they are assembled into that country's best-selling car, the Peugeot. Delays in the supply of letters of credit by Iran led to shipments being halted for a few weeks last year.

Car imports also fell, from 1,075,334 in 1982 to 1,020,247, and the import bill rose only slightly. The increase in the value of cars being shipped out of Britain helped the export bill to fall from £1.7bn to £1.6bn.

The Society of Motor Manufacturers and Traders points out that for 1984, compared with the previous year, the growth in the value of exports "outweighed" inflation. Growth in imports was roughly in line with inflation.

Car prices rise, page 2

## Labour's policies put under scrutiny

BY OUR INDUSTRIAL EDITOR

LEADERS of the unions and the Labour Party yesterday began the long process of formal reappraisal of the Labour movement's economic and employment policies.

Mr. Jim Mortimer, the party's retiring general secretary, argued in a paper presented to the Trades Union Congress (TUC) Labour Party liaison committee that the party must reassess its policies towards

the unions, which have been largely unchanged since the 1970s. Mr. Mortimer argued that the party's pledge to repeal the Conservative Government's employment and trade union legislation should stay - but that it should not be replaced by the same type of legislation as Labour brought in during its period in Government from 1974-1979.

He did not argue for a particular policy, but instead laid out a list of options, which the two wings of the movement should examine.

These included increased individual rights at work; and improvement in the immunities from legal action presently enjoyed by the unions; an expansion of action on "fair" wages and an overhaul of the employment tribunal system.

WIDER MARKETS SOUGHT WHEN STRIKE ENDS

## Coal industry reshapes

BY JOHN LLOYD, INDUSTRIAL EDITOR

FAR-REACHING plans to restructure the management and production methods of the National Coal Board (NCB) have been broadly agreed by board members. They will be implemented when the strike ends.

They include: a marked decentralisation of authority and initiative to the NCB areas, with "profit" incentives to area and pit managers and greatly increased output incentives to face workers.

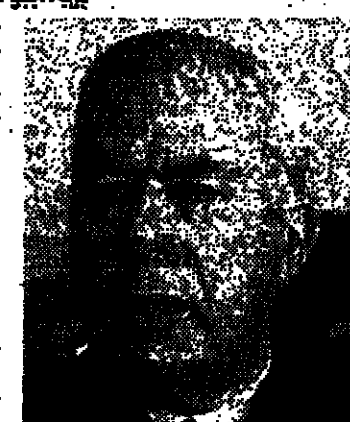
A deep cut in the numbers of headquarters staff, with almost all of the functions moved out of London to the coalfields.

More emphasis on diversifying markets for coal away from the Central Electricity Generating Board (CEGB) to new forms of coal use.

External recruiting to middle and senior managerial posts.

The main thrust of the plans discussed by the board throughout the 51-week-old strike has been to lay the foundations for an industry much more in line with a conventional, modern business corporation than with the NCB which remains relatively cumbersome, and dependent on consensual management union compromise structures.

Mr. Ian MacGregor, the coal board chairman, sees his task as one of completing the restructuring of management which he has already begun by pushing down power and initiative in his area and pit managers. These could have their salaries supplemented by bonuses based on the profits they achieve.



Ian MacGregor: changing the management structure

or, in many cases, on reducing the losses they make at present.

The board has identified the coal face worker as the key operative in the industry, and believes that incentives should be set much higher than at present in order to obtain a production rate double the present level.

It has been impressed by the U.S. productivity rate, where faceworkers, earning around \$40,000 a year, achieve output several times that of UK miners on similar faces with similar equipment.

The board acknowledges, however, that this would mean the pit union dropping its insistence on a rigid relationship between faceworkers and other workers, being instead prepared to accept that face workers, as the "aristocrats" of the pits, receive similarly aristocratic wages. Other workers would, by

contrast, get wages determined more by the market.

The decentralisation of authority would not extend so far as to wholly devolve such functions as marketing to the areas - since it is recognised that the electricity industry's dominance of the board's market means that a central customer must be centrally serviced.

The board believes, however, that the 70 per cent of output at present taken by the CEGB will tend to fall, and is now urgently examining new coal markets. The twin possibilities of coal gasification and liquefaction, considered since the mid-1970s as potentially the biggest markets of the late 20th century and beyond, are now seen offering little prospect.

In their stead, the board believes that the use of coal slurry - coal dust carried in a liquid - could in time replace heavy fuel oil like diesel in uses such as ships' boilers. Careful consideration is being given to the possibility of carrying slurry in pipes from the pits to terminals. It is acknowledged that the major commercial use of slurry has yet to be proved.

The board's huge Robert House headquarters, in London, tucked behind Buckingham Palace, is seen as a needless extravagance. Instead, it is envisaged that only the chairman, the finance director and a small essential office staff need to remain in London.

The board also believes that more managers should be recruited to middle and senior levels from outside the industry.

## Surveillance claims rebuffed

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

DEROGATION ATTEMPTS to force the Government to reply to allegations concerning MI5 (counter espionage) surveillance of nuclear disarmament campaigners and trade unionists continued to meet a stone wall of resistance at Westminster yesterday.

A call by Mr. Gerald Kaufman, Shadow Home Secretary for an emergency debate on the issue was rejected by the Speaker, Mr. Bernard Weatherill. At the same time the Government appears to be resisting behind-the-scenes pressure for a statement by Mr. Leon Brittan, Home Secretary.

Labour members now fear that the Government may decide to "institute action under the Official Secrets Act (which would render the whole matter sub judice) before the allegations can be fully aired in parliament.

The row began last week with the decision by independent television to ban the Channel 4 television programme 20/20 Vision after legal advice that the programme could involve a breach of Section II.

This centred on allegations by Miss Cathy Massiter, a former MI5 intelligence officer, that the security services had kept members of

the Campaign for Nuclear Disarmament (CND) under surveillance around the time of the 1983 general election.

Some of the surveillance, she said, contravened MI5's own rules regarding freedom from political influence. As an example she cited the way in which information on CND activists' political affiliations, gathered by MI5, was passed to a special unit set up by Mr. Michael Heseltine, Defence Secretary, three months before the election to counter CND propaganda, and used for what she claimed were party political purposes.

## SON OF MACK



Renault steps up its international growth potential through its partnership with Mack Trucks.

They call it the Mack Midliner. A diesel truck built by Renault in France. It answers the increasing demand for energy efficient middle-range trucks in the world's largest and most competitive industrial vehicle market: the United States of America.

And from its introduction to America in 1980, the number of Midliner exports has doubled to 500 units a month. This has not only established Mack's presence in this new high growth market segment, but at the same time given it a healthy share.

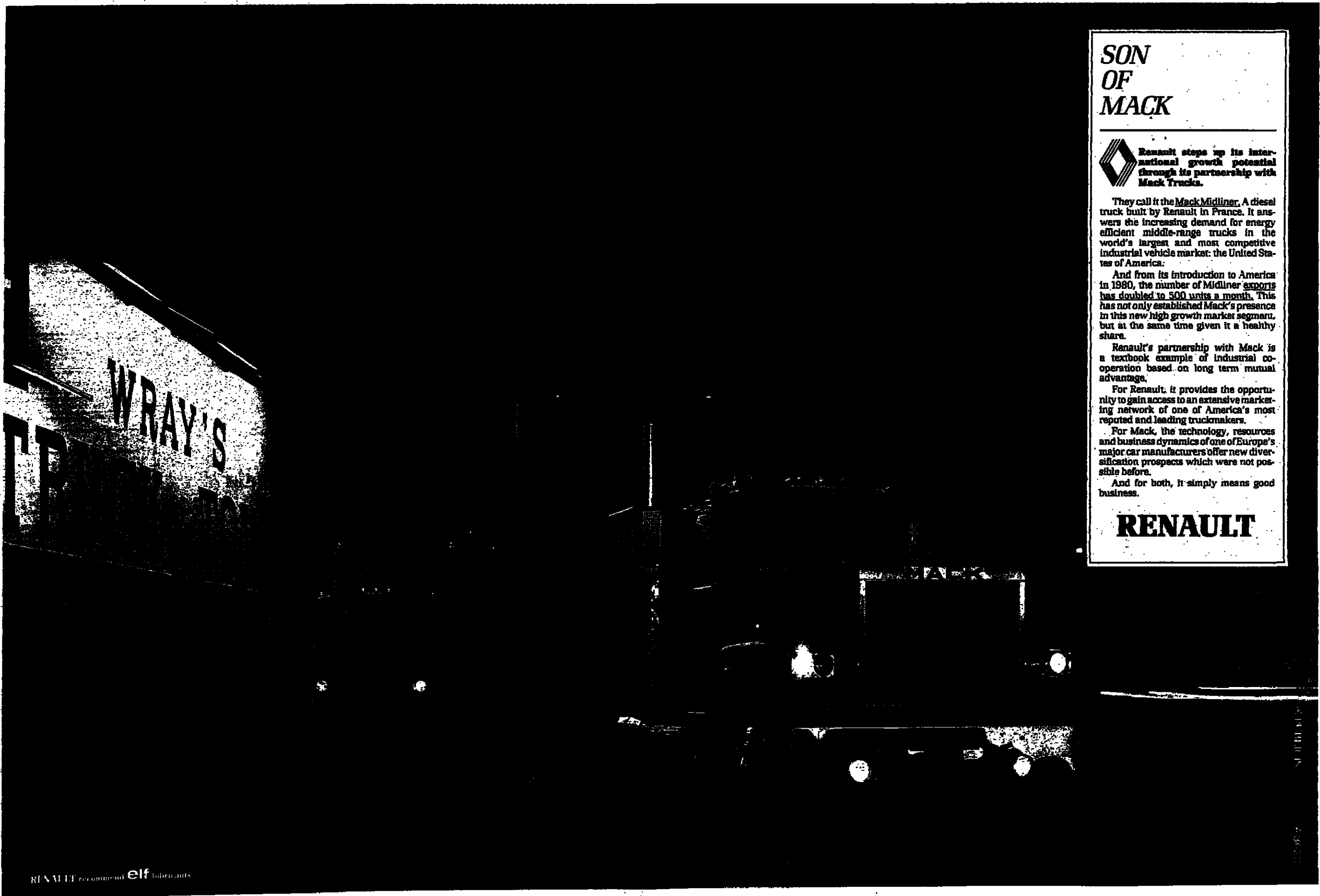
Renault's partnership with Mack is a textbook example of industrial co-operation based on long term mutual advantage.

For Renault, it provides the opportunity to gain access to an extensive marketing network of one of America's most reputed and leading truckmakers.

For Mack, the technology, resources and business dynamics of one of Europe's major car manufacturers offer new diversification prospects which were not possible before.

And for both, it simply means good business.

RENAULT









## UK NEWS

## BL price rises undercut rivals

AUSTIN ROVER, part of the state-owned BL group, will maintain an aggressive approach to car pricing this year, John Griffiths writes.

It announced an average price increase on its cars and vans of 3.5 per cent, well under the 4.1 per cent increase announced by Ford and 3.8 per cent announced by Vauxhall/Opel.

The effect of these increases, part of a general round of car price rises - is to make Austin Rover's 1.6L Montego, its main contender in the fleet car market £195 less than Ford's 1.6L Sierra, and the 1.3L Maestro hatchback £108 less than Vauxhall's Astra 1300L.

The price increase does not affect models already in stock, and Austin Rover said it would take "some weeks" for the increases to become fully effective.

The increases were announced as Austin Rover continued to trail behind Vauxhall/Opel in the car sales charts for the second month in a row. After 20 days of sales figures, Ford is leading the market with a 29.84 per cent market share, Vauxhall/Opel has 20.72 per cent and BL, which includes Range Rover sales as well as Austin Rover models, 15.51 per cent.

In January, BL had a 19.5 per cent share, compared with 20.84 for Vauxhall and 24.13 for Ford.

Volkswagen/Audi also increased its prices by an average of 3.5 per cent yesterday, while BMW (GB) imposed an additional price rise averaging 1 per cent, for which it blamed the fall in the value of sterling against the D-Mark.

CONSTRUCTION industry leaders are preparing detailed assessments of what the Government needs to spend on roads and other projects and the cost of creating jobs in the construction industry.

The Group of Eight - the heads of the construction industry's employers' organisations, trades unions and professional bodies - met environment ministers Mr Patrick Jenkin and Mr Ian Gow and Mr Peter Rees, the first secretary of the Treasury.

After the talks the Group attacked the Government's construction policies and described the Treasury's attitude as "disappointing and unrealistic."

IMPROVEMENTS in the Government's Insolvency Bill to protect shoppers who lost money when traders went bankrupt were urged by Mr Michael Montague, chairman of the National Consumer Council.

There was nothing in the Bill, he said, to stop the "incompetent or rogue trader who makes a practice of doing customers out of their money, liquidating the company, then starting up all over again under a new name."

CHANGES in the relationship between the Bank of England, the UK banks and their auditors are called for in a report by Grieson Grant, the London stockbroking firm.

Mr Tim Clarke, the firm's banking analyst, said problems of accounting for Latin American debt and the recent Johnson Matthey Bankers crisis had created uncertainty over bank shares in the stock market.

He said the Bank of England and auditors should be free of the constraints, by changes in the law if necessary, which prevented them from communicating with each other.

BRITISH Caledonian will start services from Gatwick airport, London, to Jeddah and Dhahran in Saudi Arabia from March 31.

This follows approval by Saudi Arabia of the route transfer from British Airways under the UK Government's "route-swap" plan. In return, BA will take over BCal's South American network.

Plans for BCal to fly to Riyadh, the capital of Saudi Arabia, are still under discussion.

GEC High Voltage Switchgear is making 310 workers redundant at its Manchester and Stafford works and putting most of the remaining workers at Stafford on short time working.

The company, a subsidiary of the General Electric Company, said world demand for high voltage switchgear has dropped by about 50 per cent in the past three years. GEC, a relatively small supplier, had increased its market share, but not enough to offset the slump.

SHERPA vans worth £10m at showroom prices have been ordered from BL by the Post Office. The 1,000 vans, all with diesel engines will be delivered before November this year. Earlier this month the Post Office ordered 2,000 smaller diesel Escort vans from Ford.

## Thomson move may provoke tour price war

BY ARTHUR SANDLES

THOMSON Holidays, Britain's biggest tour operator, has launched a programme of 100,000 low-cost holidays to Spain for the summer. The action raises the prospect of a third year of price wars in the recession-hit UK travel industry.

The holidays represent a substantial reduction on normal Thomson prices, with a discount of as much as £144 on a two-week holiday. But there may be surcharges and there is no choice of hotel. Although the company has not directly cut the prices of its main summer programme, the move is unlikely to be ignored by its main competitors.

Mr John MacNeill, managing director of Thomson Holidays, said the Spanish market was down by about 30 per cent compared with 1984. He said the reasons were price increases, surcharges, the UK miners' dispute, the fall in the value of sterling, stories of violence in some resorts and a change in travel fashion. Holidays to Greece, Yugoslavia, Tunisia and Portugal had been selling well.

Intasun, the second biggest UK operator, said it was surprised by Thomson's decision. "All our divisions had a better booking period last week than they had a year ago," the company said. "We said that things would pick up late and they have. We still think there will be a shortage of holidays in the high season."

Intasun will respond by producing its own range of low-priced, early season offers. "These will not only be cheaper than Thomson's prices, but will include any surcharges," the company claimed.

Horizon, another big tour operator, said last night that it did not intend to reduce the prices of its main brochure holidays. Its brochure was relaunched last December to bring its 1985 summer prices into line with competitors.

The company said, however, that it would announce later this week the first of a series of special price offers which would be made through the season.

## Hurd renews call for political talks on Northern Ireland

BY OUR BELFAST CORRESPONDENT

MR DOUGLAS HURD, the Northern Ireland Secretary, yesterday made a renewed appeal for political negotiations on a day when Unionist parties said that Mr John Hume, Leader of the Social Democratic and Labour Party, had slammed the door on talks by meeting the IRA.

Mr Hume secretly met IRA members in the Irish Republic at the weekend, but walked out after five minutes when the IRA said they wanted the talks recorded on videotape.

Mr James Molyneux MP, leader of the Official Unionist Party, and the Rev Ian Paisley MP, of the Democratic Unionist Party, said they would be jeopardising planned inter-party discussions and they now saw no point in talking to him.

Mr Hurd said an upsurge in IRA activities in the past week had reinforced the need for political dialogue. It was hard to see how devolution could be achieved unless the constitutional parties were prepared to discuss how political normality could be restored.

"The timing and the mode of discussion can be considered but there is an inescapable need for rational discussion between those who lead the constitutional political parties," he said.

The IRA activities emphasised that it was pointless to talk to people so irredeemably dedicated to the cause of violence. It was also clear that a normal political process could prosper without a robust security policy directed towards the complete eradication of terrorism. This policy was constantly being improved. It was within the law and answerable to the courts, he said.

Brandon Keenan writes: Security forces in Northern Ireland are assessing the implications of the capture of two Belgian-made FN rifles and a Ruger rifle after the shooting of three alleged Provisional IRA



Douglas Hurd: 'Inescapable need for discussion'

members in Strabane, County Tyrone, at the weekend.

The guns are not part of the usual IRA armoury and their discovery follows reports that the IRA is dissatisfied with its traditional weapon, the U.S.-made Armalite.

The Provisionals apparently believe that the modern body armour, or flak jacket as it is commonly called, issued to troops and police is capable of stopping a bullet from the high velocity Armalite, which is based on the U.S. Army M-16 rifle.

The Armalite fires a 5.56mm round, but one of the FN rifles found at Strabane was of the heavier 7.62mm calibre. The IRA may be looking for weapons which are more effective against the latest body armour, although it was emphasised yesterday that the British Army is exchanging its present 7.62mm self-loading rifle for a 5.56mm weapon.

Provisional sources claim that in some recent attacks, members of the security forces were hit in ambushes with Armalite rounds but got to their feet afterwards, shaken but apparently not injured. The Army would make no comment on the claim.

The IRA is known to be short of weapons and supplies at present, although the Strabane haul also included armour-piercing grenades of a kind not discovered before.

## Electricians' union will teach skills to Chinese students

BY PHILIP BASSETT, LABOUR CORRESPONDENT

CHINESE STUDENTS are to be trained in electronics and computing skills by the Electrical, Electronic, Telecommunication and Plumbing Union (EETPU) in what is thought to be the first venture of this kind by a UK trade union.

Two senior officials of the EETPU will leave for China on Sunday to complete arrangements for what Mr Eric Hammond, the union's general secretary, described yesterday as a "unique initiative in the efforts to improve trade and relations between Britain and China."

Although training of students and employees from non-UK countries, including China, is commonplace among British companies and universities, no UK union is believed to have taken such a step before.

Mr Dave Rogers, head of the union's technical training, who will be leading the Chinese trip, said yesterday: "Why shouldn't unions be closely identified with something in the interests of their industry, and of their country?"

Under arrangements worked out between the EETPU and the All-China Federation of Trade Unions, a group of 24 Chinese students, all technical personnel, will receive eight weeks of specialised training with the union.

The first students will arrive in May. So far, 30 students have passed a preliminary examination to take the course, and part of the purpose of the union's visit to China is to make the final selection.

For the first four weeks, the students will be taught a range of new technology skills at the EETPU's training centre at Cudham, Surrey.

Two weeks' on-the-job training will then follow with organisations which have an interest in exporting to China. The EETPU hopes to include the Central Electricity Generating Board, GEC, ICI, Ford and Land Rover. Two further weeks at Cudham will end the training.

Recent Government links with China have included a visit by Mrs Margaret Thatcher, the Prime Minister in 1983, an industrial trade mission led by Lord Young, Cabinet minister with special responsibility for employment, and an agreement on space technology collaboration.

Mr Hammond said the venture was not one of exclusive concern to the union. "Our hope is that this practical international help will make its contribution to improved trade and relations between Britain and China."

## 'Abuse of power' by food retailers

By Carla Rapoport

BRITAIN'S food manufacturers yesterday accused food retailers of "abuses of commercial power."

Sir Derrick Holden-Brown, chairman of Allied Lyons and president of the Food Manufacturers' Federation (FME), said at yesterday's annual FME conference: "There is a need for some clearer rules in order to protect the interests of everyone involved in the food chain."

The Office of Fair Trading is at present investigating claims that food retailers exert unfair pressure on their suppliers.

"Our preference would be for clearly-spelt-out practices which all parties voluntarily abstain from using, in the knowledge that they are liable to be investigated if they do use them," said Sir Derrick.

Sir Derrick said that these practices include the arbitrary dropping of branded products from supermarkets, extending payments beyond the terms of suppliers' contracts and indulging in promotional price-cutting of branded products.

On the food sector in general, Sir Derrick said that the industry was still 20 per cent less competitive than its EEC competitors, in terms of unit labour costs, in spite of the fall of sterling.

He said there was little prospect of real growth in the food sector in the next year, but companies "should move quickly to take advantage of shifting consumer tastes within the market."

Andrew Gowers writes: Environmentalists are today stepping up their campaign for tighter controls on the supply and use of agrochemicals, with the publication of a report detailing 108 allegedly damaging incidents involving pesticides.

In the report, sent to MPs preparing for the second House of Commons reading of the Government's Food and Environment Bill, the conservationist group Friends of the Earth presents extensive evidence of illness apparently caused by intensive pesticide spraying.

In several cases people were reportedly forced to move home to escape pesticides, and in more than 12 instances pesticides are said to have caused the death of domestic animals.

The report blames the rapid growth of intensive industrial-style agriculture for increasing chemical damage to the countryside. It is particularly critical of intensive crop spraying from the air, and claims that present controls over aerial spraying are "inadequate and frequently unenforced."

It also says that the chemical industry's existing voluntary controls over supply of pesticides - known as the Pesticide Safety Precautions Scheme - is being violated on a large scale.

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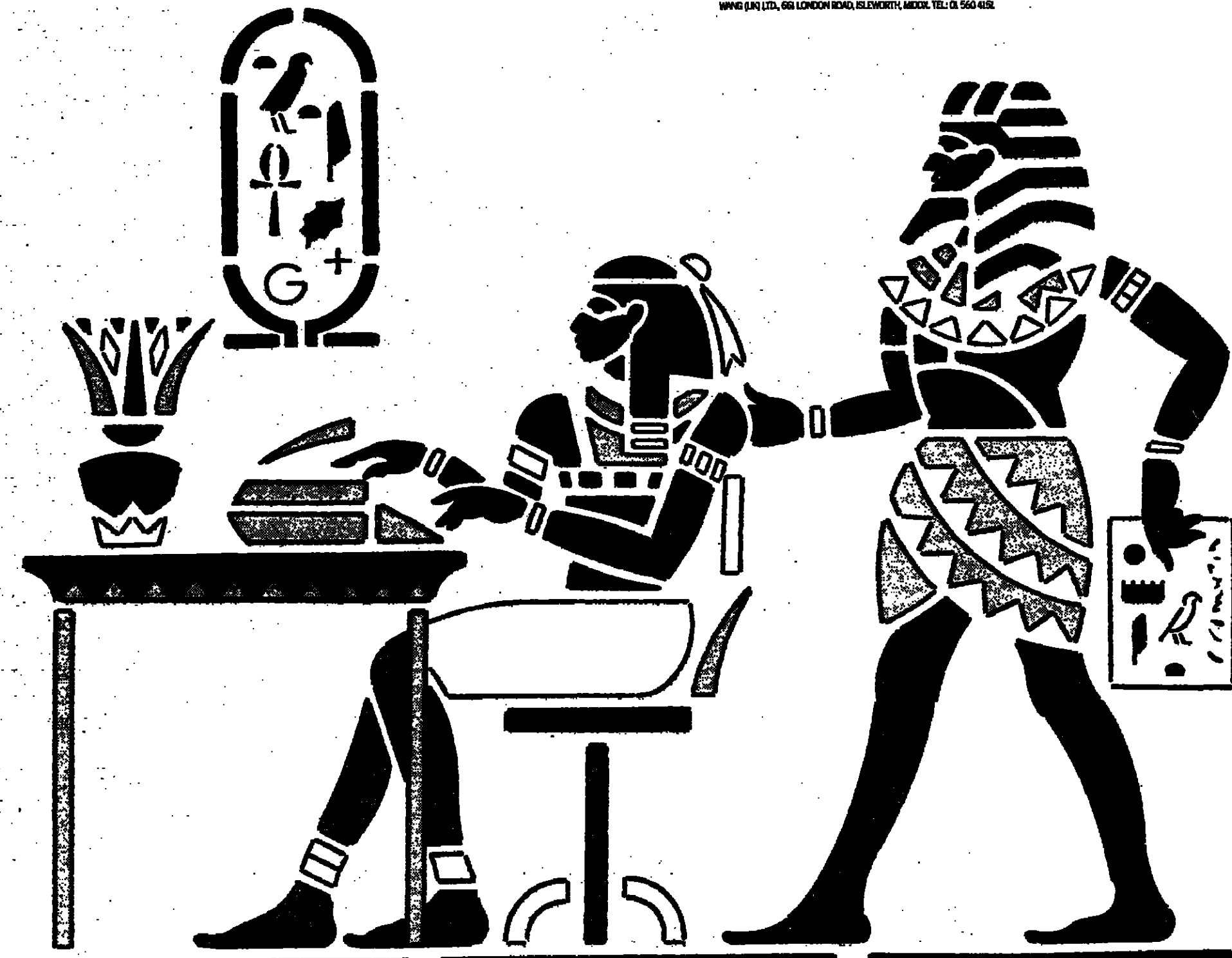
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## Company Notices


**THE RANDFONTEIN ESTATES GOLD MINING COMPANY,  
WITWATERSRAND, LIMITED**  
(Incorporated in the Republic of South Africa)

**DIVIDEND No. 99  
ON SHARE WARRANTS TO BEARER**

Pursuant to the Notice published on 21st December, 1984 members are informed that the rate of payment of the above dividend is to be 10% of the gross value of the shares held by the member on 21st December, 1984. The gross value of the shares held by the member on 21st December, 1984 is to be determined by the United Kingdom Paying Agents in accordance with the provisions of the Companies Act, 1947, as amended, and the provisions of the Companies Act, 1984, as amended, and the provisions of the Companies Act, 1984, as amended.

Amount Payable per share (U.K. Currency)
255.8381
AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS
223.7924
Less: United Kingdom Income Tax at 15% on the gross dividend (See Notes 1 and 2)
39.8457
AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS
183.9467

COUPONS must be listed in duplicate on forms obtainable from the London Share Office and deposited for examination on any week-day (Saturday excepted) at least seven clear days before payment is required.

99, Bishoppstead, LONDON EC2M 3XE, 25th February, 1985.

NOTES:  
(1) The gross amount of the dividend for use for United Kingdom Income and Surplus purposes is 255.8381.  
(2) Under the Double Taxation Agreement between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom Tax payable in respect of the dividend. The deduction of tax at the reduced rate of 15% instead of at the standard rate of 30% represents an allowance of credit at the rate of 15% in respect of South African Non-Resident Shareholders' Tax.


**JOHANNESBURG CONSOLIDATED INVESTMENT  
COMPANY, LIMITED**  
(Incorporated in the Republic of South Africa)

**NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER  
DIVIDEND No. 778**

Pursuant to the Notice published on 23rd January, 1985 members are informed that the rate of payment of the above dividend is to be 10% of the gross value of the shares held by the member on 23rd January, 1985. The gross value of the shares held by the member on 23rd January, 1985 is to be determined by the United Kingdom Paying Agents in accordance with the provisions of the Companies Act, 1947, as amended, and the provisions of the Companies Act, 1984, as amended, and the provisions of the Companies Act, 1984, as amended.

Amount Payable per share (U.K. Currency)
48.5995
AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS
46.9465
Less: United Kingdom Income Tax at 15% on the gross dividend (See Notes 1 and 2)
7.0530
AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS
39.8935

COUPONS must be listed in duplicate on forms obtainable from the London Share Office and deposited for examination on any week-day (Saturday excepted) at least seven clear days before payment is required.

99, Bishoppstead, LONDON EC2M 3XE, 25th February, 1985.

NOTES:  
(1) The gross amount of the dividend for use for United Kingdom Income and Surplus purposes is 48.5995.  
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NEDERLANDS B.V.**

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NOTICE IS HEREBY GIVEN that copies of the Annual Report of Williams & Gilt's (Netherlands) B.V. and of the Royal Bank of the Netherlands, 1984, are available from the Paying Agents at the above address.

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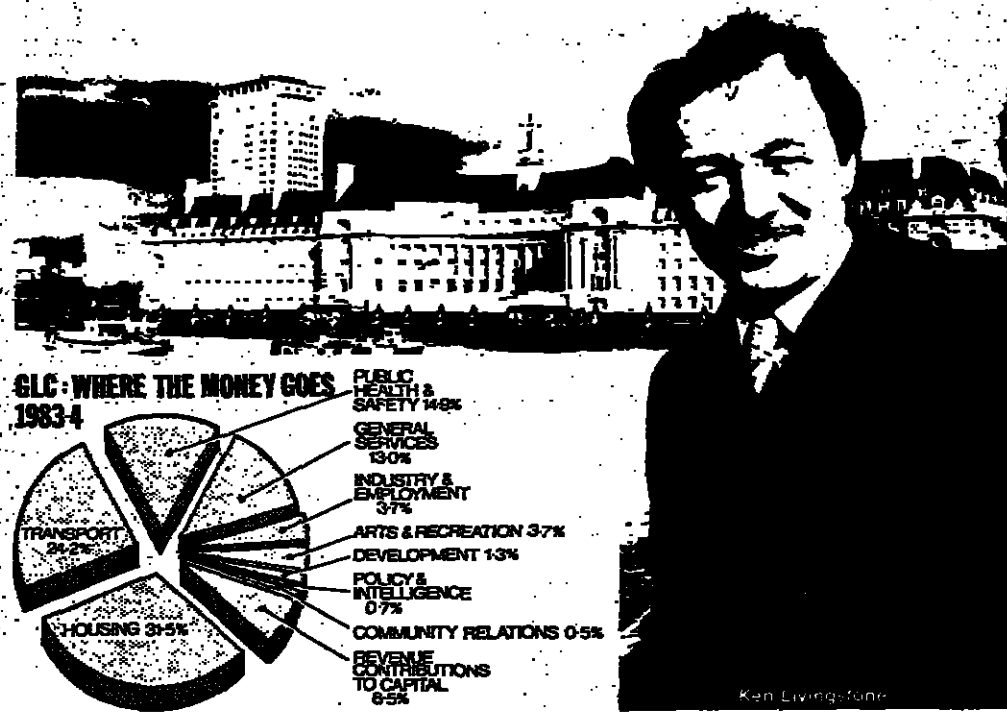
**Art Galleries**

WILLIAM DRUMMOND at BURY STREET  
GALLERY, 11, Bury Street, W1. Exhibition of Early British Watercolours.

## UK NEWS

## Savings riddle over abolition of the GLC

By Robin Pauley



If half of all these planners and architects were to go plus 10 per cent of all categories other than firemen, the target would be met. On the other hand, as transitions always entail many extra man hours, a more realistic assumption might be a cut of half this target, or 2,000 jobs, to save around £13m.

What of other savings? The 1983 Conservative Party manifesto said: "The metropolitan county councils and the Greater London Council have been shown to be a wasteful and unnecessary tier of government."

Clearly, there is not much to be saved from "unnecessary" services because most of the functions have been found necessary enough to be retained in one way or another. "Wasteful" offers more scope. As we have seen, the scope for bureaucratic savings is smaller in the GLC than in most councils because the proportion of bureaucrats is low.

Nevertheless, there is a widespread perception that some of the GLC activities through, for example, the controversial grants programme to minority groups, amount to frivolous or political expenditure. Most of that "controversial" spending is funded from the product of

a 2p rate which all councils are allowed to raise for their own purposes. This produces £40m for the GLC. As a large number of grant-aided organisations will clearly continue after abolition, perhaps £20m of this could be saved.

With this £20m, and perhaps £15m to £20m from job cuts, the Government targets look far from wild on the surface. But from here the argument about costs and savings becomes more difficult and often politically motivated. Lady Porter, Conservative leader of Westminster City Council, for example, claimed in January 1984 that abolition of the GLC could cut Westminster's rate bill by £45m and London's total rates bill by £274m, while the average rate in the pound in the capital could fall by as much as 19p in the pound. At the same time Mr Maurice Stonehouse, director-general of the GLC, estimated that its abolition could cause a rate rise of between 10 and 17p in the pound. The Labour Party estimated that rate rises would be needed in 25 out of 32 London councils.

It is this part of the argument which is crucial for the Government. Whatever the political arguments about "abolishing" Mr Ken Livingstone, the Government, already facing extreme difficulties in getting the Bill through Parlia-

ment, is anxious not to be seen to have piled agony on to the painful London rate burden in 1987, one year after abolition and shortly before the next general election.

There are more practical and severe problems of cost which are only now emerging from the extremely complex implications of abolishing the GLC for the taxpayer and ratepayer.

The GLC has loan debt of around £2bn but has pursued a policy of funding a rising proportion of its capital expenditure through an internal capital fund. The proportion is now 25 per cent and around £130m a year is repaid to the fund from internal sources such as rates. This finances new capital and avoids expensive calls on the market. After abolition these internal payments will cease, although the successor authorities for the GLC capital programme will still need to seek funds in the market. The Treasury is taking seriously estimates that this could increase public borrowing in the medium term, i.e. five years, by between £750m and £1bn. This scale of cost, although not a direct ratepayer cost, dwarfs the possible small savings out-

lined above. But there is a yet worse difficulty, identified by Lady Porter's own officials. It could destroy her hopes of a year ago

for her council's ratepayers. The very complicated problem is this. The Cities of London and Westminster are so wealthy in highly rated commercial property that they jointly give about £70m to be shared out among other, less wealthy inner London boroughs. Their domestic ratepayers are insulated from the effects of this transfer, but it costs non-domestic ratepayers about 8p in the pound.

After abolition, a new problem of unequal resources arises throughout Greater London which the Government proposes to resolve by increasing this charge to cover inner and outer London. A third borough, Kensington and Chelsea, will become a contributor and the burden will also be shared by domestic ratepayers. This heralds a substantial increase in the rate burden for domestic and non-domestic ratepayers right across the City heartland of central London.

This equalisation problem could be a major burden for commerce and industry. A large West End store, for example, with a current rate bill of £14m, pays £72,500 towards equalisation. Under the new proposals this would rise to between £200,000 and £280,000. The burden falls across the key commercial centre of London—the City, Westminster and Chelsea.

So, within all these complexities, it appears that some boroughs might gain a little and few might lose a lot from abolition. Overall major net savings look unlikely and a lot of luck and improved efficiency might be needed just to keep the overall costs of "running" London at the same real level as under the GLC.

As the issues become clearer and more detailed explanations appear for the unlikelihood of savings, the Government could find itself compelled politically to ensure that rate bills appeared to fall. But it would then have to consider the Treasury's view put forward literally last year that savings were unlikely without very major cuts in local government manpower, which in turn means big cuts or elimination of some services—a political thorn yet pricklier than abolition itself.

Beyond Our Ken: an analysis of the GLC abolition controversy, by Robin Pauley, Stewart Lindsay and Andrew Forrester, published today by Fourth Estate, £4.95.

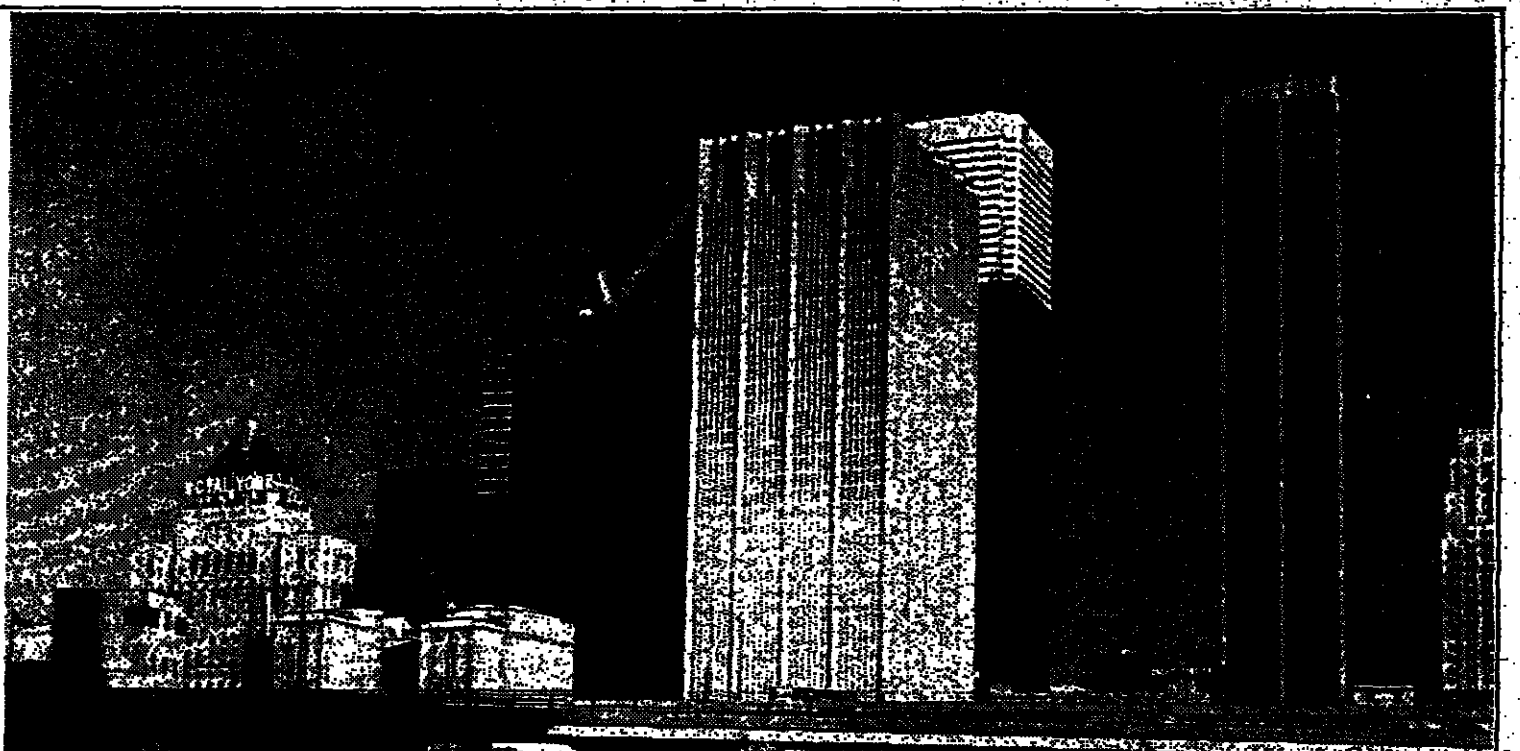
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Visual arts/By William Packer

## Provincial initiatives

It is a constant and fair reproach to me that, giving too much space and time to the exhibitions and work to be found in London, I allow the many fine things going on elsewhere to pass virtually unremarked. It is indeed a problem. Every New Year I resolve to travel more and certainly to try to catch the major show on tour before it ever comes to London. Every year soon, too soon, I am overtaken and embarrassed by events caught up by the Renoirs, Chagalls and St Ives's, as it were, of every season, and even Oxford or Bristol or Brighton or Southampton seem an impossible world away.

The horror is that not one but all four of the major shows I cover today, though now in London, are in every respect the creatures of provincial initiative, and there is yet another (the Peter Greenham at the Royal Academy) that I must hold over for a week or two. And of these five I admit that three were set up by the admirable Museum of Modern Art in Oxford, and a fourth was shown there only last year.

This little game of odd man out happens to have five answers, but the one I take today is simple enough: all the work, so different as it is in kind, comes from abroad, and each show offers us a definitive and scholarly introduction to a new movement, a new subject. If our cultural insularity is notorious, it is only fair to say, for the visual arts at least, that it is not the deliberate fault of our great institutions. Though their spirit is willing, too often their wheels are well directed rather than well oiled, and roll exceedingly slow. Here we have small and independent organisations working in the same field with conspicuous energy, discretion and intelligent opportunism to bring us exhibitions that would disgrace the grandest, most prestige-laden museum in the world, and yet are pertinent, enlightening, and break new ground.

Oxford's three initiatives may be taken in turn, if only to demonstrate the scope of such activity, and by implication the nature of the opportunity. Perhaps most remarkable of them is *Art into Production*, an exhibition of Soviet ceramics, textiles and fashion of the period immediately after the Revolution (at the Crafts Council Gallery in Waterloo Place until April 28—sponsored by Courtauld PLC, the Visiting Arts Unit and the CG-USA Association) which the Museum of Modern Art arranged with the help of the Crafts Council and the Russian Ministry of Culture, and which at its London inauguration Lord Gowrie declared to be in his view, the most exciting show he was likely to see this year.

That is a large claim, but one not altogether beyond argument, for we in the West have long known and celebrated that short euphoric interval as perhaps unique in modern history, when the most radical and adventurous of artists were drawn for a brief moment into the life of everyday affairs, even influencing and directing them to a degree, certainly accepting a clear social role and receiving general support for their art in turn. But artists, if true to themselves, are unbridgeable and thus subversive; and the moment passed. It is only in the past few years that the Russian cultural establishment has come again to realise a critical confidence in the created vigour of that time, in all its manifestations in the fine and applied arts.

The fine art we know well enough, and now here at last is the design in significant quantity, charming, decorative and exciting by turns, the textiles especially striking in their subtle and sophisticated ceramics at once joyfully figurative and descriptive, with yet

the principled simplicities of constructivism adapted, yes, but not compromised. The British Council is to reciprocate by sending an exhibition of modern British studio pottery to Russia next year.

The second show, *Tradition and Renewal* (at the Barbican until March 31) is again of work from the Communist bloc, and again of material never seen here before. East Germany has taken part in the past two Venice Biennales, and though we no longer expect any such official endorsement of art from a Communist state to mean mere Socialist realist propaganda, even so the raw, ambiguous power, the incipient violence in the painting shown in 1982 came as something of a shock. Last year the surprise had gone, but most certainly the authority remained, and it was quite clear that some of the most extraordinary and vital of contemporary painting was being done on the other side of the wall.

This show covers something of the same ground, but is not confined to it, and it says much for the perception of David Elliott (who is director of the Museum of Modern Art) and his independent eye, that at the suggestion of the East Germans he began his work on the project in 1981 and his show opened coincidentally with Venice last summer.

The work is all figurative, and the tradition to be discovered is the obvious one of expressionism in its several strains, whether of Grosz and Dix, or Beckmann, or the Neue Sachlichkeit of Schad and Schlichter and Hübner, or the direct, fearful scrutiny of Schiele, Volker, Schöndorfer, and hard realism is most impressive, and so, too, the domestic tableaux of Sigfried Gille, so close in sympathy and spirit to Beckmann; but it was especially taken by the life paintings and drawings of Eberhard Kuhnert, in the unblinking consideration of the

human condition is as shocking as it is profound. And there is Werner Tübke who, in his strange way, stands quite beyond any categorising, his weird imagery so sharply realised, therefore, are those most succinct or impassive in their texts, or entirely self-sufficient: the Prodigal Son, or the Fallen Angel sequences, for example.

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Three Women from Cefalu—by Werner Tübke

Show three is a retrospective of the work since 1958 of the American photographer, Duane Michals (at the ICA until March 17, then on to Watershed, Bristol; John Hansard, at Southampton University; Elmscott and Open Eye Galleries, Liverpool). It is as irritating as it is engaging, for Michals is a natural wit and a consummate craftsman besides, who directs and twists and teases one perception of what he does in the nicest ways. Yet his texts, often

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## A Tale of Two Cities/Worcester

B. A. Young

John Doyle has made a new adaptation of Dickens's book for the stage, the latest of four versions I know of, and himself directs it at the Swan. He has been less concerned with telling a clear story than with reproducing the authentic feel of the book, so he has incorporated chunks of the Dickensian narrative, whether or not it is concerned with the plot. Naturally, we start with the first two paragraphs ("It was the best of times, it was the worst of times"), and at the guillotine we get not only the last two lines ("It is a far, far better thing that I do, for a better world that I live in") but almost the whole of Sidney Carton's prophetic thoughts, with "I am the resurrection and the life" as well.

I think his objective is mistaken. The story comes through clearly, but it is deprived of excitement. Short scenes follow each other without the central relevance, as in the book. An ingenious set design by Chris Crowell can produce changes of place in an instant, as trucks are very strong and lively stuff. Also, apropos St Ives last week, I omitted to mention the show of art from St Ives at Michael Parkin in Motcomb Street, which completes the Belgravia triangle of such things at the New Art Centre and Montpellier Studio.

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on stage together. There is little scope for deep characterisation and many of the characters are nicely marked. Lewis Coven as Dr Manette can't hope to be more than a genteel wrinkle with a French accent, or his daughter Lucie (Hilary Crome) anything but a pathetic young lady with golden hair. The two Defarges, Alex Knight, a polite but sinister Monsieur, Jacques Crago a reserved and even more sinister Madame, offer some useful individuality, and Madame ends with a glorious tussle with Miss Pross.

Naturally, there is much doubling in the numerous small parts, done with great despatch and not too much intention to make them memorable. Mary Ann Coburn moved me with the seamstress words on her way to execution, and two of the ever-available players, Mark Rees who was usually Barsad, and Bryan Kennedy, who was almost anyone, pleased me.

The sack of the Bastille, dealt with at first by running gunnery, and then by a couple of field guns firing who knows where, serves them now with guns and pick-up men, and they rush to join the mob. Some of Dickens's very horrid horrors are left in and there is melodramatic mood-music, called from such composers as Bartok, Stravinsky and Carl Orff.

Darnay and Carton are both played by Paul Hegarty, with occasional help when they are

the loyalty timefully affirmed in "the man".

Bill Pinner's basic set answers the challenge posed by memories of camera-work and film-editing by swivelling, meeting and dividing in nifty suggestion of small-town street, barn and farmhouse. The bearing stage crew—more than they have at the National—gasp at Sir Peter's presence—rightly took a curtain call.

Stephanie Carter's choreography has a brave shot at emulating the Eddie Kidd perfection of MGM. The unfailing energetic young cast musters up the ebullience for an exciting show-down at the town social when the mountain boys and the townfolk turn a polite dance into a brawl. Accents are variable, occasionally verging on the Australian, and not all the singers match the principal couple. Steve Devereaux's faintly glum hangdog air works against his potential stage presence and firmly confident singing. Roni Page's Milly has the wholesome gleam of an adult Olivia Newton-John; her voice is sweet with being chirpy, her personality, packing a cheerfully perceptive punch, is bright without twopenny.

variation of tone could have been more profitably employed; "Invitation au voyage," which opened the recital, might have been better with being delicacy had it been placed later in the programme, when Mr van der Meer would have gained the full measure of the hall. But in every case the musical setting was caught exactly.

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## The Golden Legend/Elizabeth Hall

Arthur Jacobs

"I think this is the best thing I've done, don't you?" said Arthur Sullivan in presenting a copy of *The Golden Legend* to Ethel Smyth, who felt compelled to tell him that in her opinion his masterpiece was *The Mikado*. History having declared itself on her side, *The Golden Legend* has fallen into the dustbin alongside countless cantatas and oratorios by other, less interesting Victorian virtuosos. But next year, to celebrate the centenary of the work, Sir Charles Mackerras will direct a performance at Leeds, its birthplace, and on Sunday a modest revival by the Chelsea Harmonic Society (amateur chorists plus the professional New Symphony Orchestra) was said to be the first such London revival for about 40 years.

Though framed by Christian moralising, it is in effect an opera for the concert-hall. There are six clearly located scenes with prologue and epilogue, complete with stage directions such as "Straggle at the door, but cannot open it"—accessible to Victorian audiences in their printed programmes, though omitted on this occasion. The mysteriously sick German prince and the "pure" peasant maiden willing to sacrifice herself for him, make less impression than the character of Lucifer, an agreeably humorous devil-like Mephistopheles in another Victorian favourite, Berlioz's *Damnation of Faust*.

Sullivan's librettist, the music critic Joseph Bennett, fudged the

drama. Worse, the composer, "fettlers" of Gilbert's close-worked rhymes and insistent metres, lapsed into a spineless idiom. Some unusually adventurous chromatic harmonies proved to be of merely incidental interest. The two week-end choruses, an attractive diatonic (not far from Savoy style), and a good prayer-song for the heroine can be picked out for moderate praise.

Edward de Rivera, conducting, mis-timed the interval: it comes more effectively after the first of the big choruses, not after a successful early scene. He directed a cautious performance; perhaps the only possible kind with a single orchestral rehearsal. John Noble, that stalwart of so much of the English repertoire, commanded the platform as Lucifer (and also as the minor role of the forester). Wynford Evans gave a mostly pleasing account of Prince Henry's part, but neither the topmost nor the lowest notes of Elsie's part suited Una Barry, who sang with a good voice, the mother's part even duller than Sullivan left it.

Mr de Rivera did not trust his choir (the Society's own singers plus those of Farlington School) to sing the once-famous "O, gladsome light" unaccompanied. But they did well, and a sufficient audience of Sullivan devotees gave the work a cordial reception. Now who will revive that oratorio who will revive that oratorio Sullivan sought to challenge—Gounod's *Redemption*?

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## The Real Nutcracker

Clement Crisp

Were it possible to invoke the Trades Descriptions Act for ballet performances—and I fervently wish it were—the majority of stagings of Chalkovsky's holy trinity of *Sleeping Beauty*, *Nutcracker*, and *The Swan Lake* would be worth prosecuting for their sheer effrontery in disregarding the steps and scores they purportedly offer. The cry made to the public by ballet companies is "See the real Nutcracker!" and the public, in turn, responds with a "See the real Nutcracker!"

Just what was created at the Mariinsky Theatre in St Petersburg by Chalkovsky, Petipa and their associates is the matter of Professor Roland John Wiley's fascinating, scholarly study of *Chalkovsky's Nutcracker* (Clarendon Press, Oxford, £28.50). By using first sources, original texts; by ferreting out the violin *répétiteurs* in Soviet archives and scrutinising the *partitions* of the *Nutcracker*, Professor Wiley has brought with him to the West after the 1917 Revolution; by ascertaining what music was actually performed rather than what was published; by collating Petipa's notes, conductors' scores, reviews and contemporary commentary, Professor Wiley has given us as clear an account as is possible of these ballets in their first performance. Set against this research is a no less significant aspect of the work: a musicalological analysis of the scores which

indicates the exceptional organic, formal strength and wealth of dramatic and emotional detail to be found in Chalkovsky's ordering of key, melody, orchestration.

Thus we can savour the noble arch of *Sleeping Beauty*, the subtleties of *Nutcracker*, and the emotional detail to be found in Chalkovsky's ordering of key, melody, orchestration.

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## I due Foscari/Parma

William Weaver

After sitting through some 12 hours of opera at La Scala (the revival of *Il barbiere di Siviglia*, which I saw a few weeks ago, does not bear mentioning), I was doubly happy to attend, at the Teatro Regio here a new production of *I due Foscari*, mounted with care but without foolish display, and executed thoughtfully and feelingly. Until a few years ago, Verdi's sixth opera was one of his least heard, even in Italy. To explain this neglect, while other early Verdi works were being returned to the repertoire, Verdi's own complaints about the piece were repeated. He found *I due Foscari* too uniformly gloomy, monochrome. But Verdi's judgment—in the light of recent productions of the piece—seems too harsh; modern audiences obviously can take a fair amount of gloom.

In any case, the dark story is pierced by one shaft of brightness, the festive opening of Act 3; and the Parma staging (by the well-known Italian director, Franco Zeffirelli) made the most of this change of mood. For the rest, the many scenes—in prison, in the Council Chamber, in the Doge's apartments—made use of some fixed elements, cleverly enhanced by drops and a minimum of furniture, to allow the action to move swiftly. Proleptic indulgence in no tricks or gimmicks. With relief, the spectator could concentrate on the singing. The appropriate costumes by Tita Fegani (also responsible for the sets) were a further help.

The Orchestra Sinfonica dell'Emilia-Romagna ("Arturo Toscanini" is no rival to the vir-

tuoso orchestra of La Scala, but it plays with admirable accuracy and suitable Verdiian fire; and the frequent exposed writing for solo winds found players up to the challenge. The Dutch conductor Hubert Soudant, here making his opera debut, proved a genuine find; he grasped and held the Verdiian drama, but he didn't flail the life out of it.

The two Foscari were Renato Bruson and Veriano Luchetti, the same pair heard a few months ago in moving Macbeth in Naples. They were no less moving here. Bruson is even more convincing as the noble, defeated Doge than as the Shakespearean general; and Luchetti, who goes from strength to strength, turned into the ideal early Verdi tenor.

The role of Lucrezia is difficult, even ungrateful, and the Russian soprano Galia Katina could not fulfil all its requirements. The coloratura writing, for one thing, was beyond her (and so for second thing, was the Italian language). But the voice has power, and it rang out, true and clear, in the ensembles, clearing the big choruses like the prow of a ship. The minor roles were well assigned, and as Loredano—the veteran bass Luigi Roni cut a fine figure.

Like most Italian opera houses, the Regio has had its troubles over the past years, and in steady thickens of weakened the structure. Now it is bravely rebuilding—the restoration continues during the season; masons and singers pass at the stage entrance—and is reasserting its position

to British Handellians for the terrible mish-mash of Julius Caesar by that company which found its way out (records). This is not a textual misrepresentation of *Samson*, at least, but what we heard on Wednesday amounted to an executive one; for, in steady thickens of weakened the structure. Now it is bravely rebuilding—the restoration continues during the season; masons and singers pass at the stage entrance—and is reasserting its position

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## Arts Guide

Music/Monday: Opera and Ballet/Tuesday: Theatre/Wednesday: Exhibitions/Thursday: A selective guide to all the Arts appears each Friday.

February 22-28

## Opera and Ballet

LONDON

Royal Opera, Covent Garden: The new production of Handel's *Samson*, by Elijah Moshinsky in the designs of Timothy O'Brien, is the Royal Opera's contribution to the Handel tercentenary celebrations. Jon Vickers, whose *Samson* was one of his early London triumphs, returns nearly three decades later in this title role; the cast also includes Carol Vaness, Marie McLaughlin, Sarah Walker, and Robert Lloyd, and the conductor is Julius Rudel. (2401066).

Royal Opera House, Covent Garden: The Royal Ballet with *Sleeping Beauty*, Balanchine's Ballet Imperial design in a new Christopher Leeson design. Corda's *L'Invitation au Voyage* and MacMillan's tense *Different Drummer*.

VIENNA

Seateoper: Tannhäuser: Falsdoff conducted by Zedde with Lorenzger, Venuti, Ludwig, Simon, Bocanegra conducted by Marco Erde with Freni, Gonda, Gheurov. (5324/2658).

PARIS

La Traviata performed by Orchestra Colonne conducted by Donato Renzetti in a Bonn Opera production by

Lucia Ronconi with Violetta sung alternately by Diana Soviero-Uzan, Jenny Drvala and Julia Kunkely. T.M.P. Chabrier (2334444).

Hommage to Antony Tudor. Lila Gaudin, Sherrylyn, and Judith Blagm. Dances in Anthony Tudor's choreography to music by Chausson, Korachin, Pachelbel and Mahler. Opera Comique - Salle Favart (286.06.11).

Ballet de Marseille. Roland Petit's premiere of *The Marriage of Heaven and Hell* to Art Zoy's music. Théâtre des Champs Elysees (7234777).

WEST GERMANY

Berlin, Deutsche Oper: This week's highlight is *Lohengrin* with Wagner specialist Rene Loh and Sabine Haas. Die Fledermaus is an Otto Schenk production. Carmen, sung in French, is steered to triumph by Teresa Berganza. The controversial production of Handel's *Messiah* in a scenery version by Achim Freyer, has the British conductor Christopher Hogwood. Lucie di Lammermoor brings together Kaja Borris and Franco Bonifazi. (84381).

Saintgert, Württembergisches Staatstheater: Gustav Kuhn is the conductor of Jean-Pierre Ponnelle's *Götterdämmerung*. The cast includes Caterina Ligendza and Manfred Jung. La Cenereola is a well done repertoire performance. Also: *Werther* sung in French (20321).

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# FINANCIAL TIMES

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Tuesday February 26 1985

## Taking up the U.S. challenge

PRESIDENT Reagan can have made few new friends in Europe with his remarks about the dollar. Many embattled officials and bankers on this side of the water are no doubt writing acid memoranda about hubris and megalomania or of the pride that comes before a fall. If they have a more homespun turn of phrase, it is certainly true that, in the long run, durable prosperity cannot be built on limitless borrowing and in that sense the Reagan economic experiment is not sustainable. The President recognises as much in his rhetoric, if not in his actions: he talks of balancing the Budget, but rather as St Augustine talked of abjuring sin: not yet.

However, in the long run, as Lord Keynes remarked, we are all dead; and meanwhile America's debt-ridden recovery is the wonder of the markets. Neither the fiscal deficit, nor the huge trade deficit which has resulted from borrowing in excess of domestic savings, have caused any pressing problems.

Even looking ahead, the required adjustment still looks manageable. It is clear that at some stage—and probably quite soon—the exaggerated growth in which investment in the U.S. economy will grow paler.

However, there still appears to be adequate time in which to agree and mount a programme of steady deficit reduction for the years ahead, until the growth in the money national and commercial, falls into step with the growth of other elements in the U.S. economy. Such a programme ought to ensure a relatively soft landing, unless euphoria blinds the Americans to the need to do anything at all.

It will be of very limited comfort to the fiscal puritans of Europe to mutter "I told you so," and watch unemployment mount still higher as the excess U.S. demand which has largely sustained our own weak recovery so far is reined in. The prosperity and employment which the President's policies have generated are genuine; and given good management they can remain so even when the bills fall due. Ordinary curiosity — at lone humility — ought to provoke the question whether Mr Reagan's policies do not have some of the merit he claims for them.

It is true that the U.S. economy has some structural and behavioural advantages which cannot be matched in Europe. In terms of flexibility, rational labour markets, and

relatively low social overhead costs. However, these contrasts are nothing new. It is clear that some of the contrast in economic performance, which is new, must be attributed to diametrically opposite fiscal policies. Indeed, cynically, European and Japanese self-denial has freed the resources to finance the U.S. boom, creating a world recovery with the U.S. as its dynamic centre, sucking in capital as dynamic regions do.

### Unbalanced

In other words, two sets of unbalanced policies, with headlong debt expansion in the U.S. and financial reconstruction, both at the national and corporate level, in the rest of the developed world, have combined to make a temporarily workable and quite effective system; but those who argue most urgently for a change in the balance of U.S. policies should be the first, rather than the last, to recognise that this will require some compensating change in their own policies, if the net effect is not to be depressive. We should be thinking, in short, not in terms of a slanging match with Mr Reagan, but of a sensible coalition on better balanced policies.

This could be taken as a purely national challenge, and indeed there is a growing mutter from Tory admirers of the President urging to do a Reagan. However, such an experiment would probably be as short-lived as previous Conservative efforts at a dash for growth, or as President Mitterrand's more recent effort in France. Outside the U.S., the big enough to risk an independent line of this kind.

However, the European Community was founded with the idea of creating an integrated economy with the advantages of scale and collectively limited external exposure to give the kind of robust independence which enables the President to behave so inconsiderately. A convergence on a European level would be a very different matter, a modest adjustment in concert of the order of 1 per cent of GDP would have as much effect in each member economy as a far bolder stimulus in one country, largely to the benefit of its trading partners, and the risks would be minimal. Given that European decision-making makes even the U.S. constitution look a model of lightning efficiency, the time to start planning such a convergence is now.

## Local self-help for small firms

IN WHITEHALL and Westminster, politicians and civil servants need to fight hard to overcome an illusion that Britain's economic performance is determined primarily by national policies and initiatives. As the Budget draws closer, it is all too easy to fall into the trap of thinking that the economic outlook will depend mainly on the size of the Public Sector Borrowing Requirement or the targets the Chancellor sets for growth of the money supply. The difficulties of the 1970s showed that firm macro-economic policies are a necessary condition for economic success; the problems of the 1980s seem to be showing us clearly that they are not sufficient.

Britain's economic success in the next decade will depend in large part on the skill of its entrepreneurs. The rate at which unemployment can be reduced is likely to depend less on the economic policies currently fashionable in Whitehall than on the rate of small-firm creation — and the subsequent performance of these fledgling companies. The creation of small firms can be assisted by appropriate fiscal policies (for example, the exemption level set for value added tax) but it will also depend on the quality of assistance which is available locally for would-be entrepreneurs. In the past decade, a new form of business advice and counselling has emerged in the shape of local enterprise agencies (LEAs).

### Rapid growth

LEAs come in a variety of shapes and sizes. They are collaborative community organisations usually jointly sponsored by public and private-sector bodies; they aim to encourage and support existing small and medium-sized businesses. Besides offering technical and professional advice, LEAs provide other services such as training, provision of premises and, occasionally, access to risk capital. A study issued last week by Business in the Community and the Centre for

Employment Initiatives suggests that the quite rapid growth of LEAs in the UK (there were 180 in June 1984 compared with only 23 three years earlier) is having a significant impact on local business performance.

According to the report about a quarter of firms starting up in business and 15 per cent of existing firms describe their LEA as "crucial" in helping to create or save jobs. About 10 per cent of agencies claim to go so far as to claim "they would have gone bust or would not have started without the assistance provided." It also appears that small companies find LEAs more valuable than other local support organisations such as banks and chambers of commerce.

The secondment of staff from large companies and local authorities to work together on the problems of local business has undoubtedly been a success. Many of the anticipated difficulties have not emerged; contrary to some expectations directors of agencies often drawn from big corporations have not shown the expected lack of understanding of the pressures on the small businessman. The one cause for concern is that local collaboration extends only so far: the involvement of local trades unions and trades councils was notable for its almost complete absence. So long as unions take an unhelpful if not downright hostile approach it is hard to be sanguine about small businesses' prospects in the UK.

The main question posed is how LEAs can build on their present success. Business in the Community's idea that they should increasingly become a conduit for the provision of low-level risk capital seems sensible. But its plea for "some form of centrally provided core funding" for LEAs is more questionable. The whole point of these agencies is that they are a form of local self-help. If they start to rely on central grants, this could undermine what began as a novel and encouraging form of assistance for would-be entrepreneurs.

ONE are the days of the late 1970s and early 1980s when a Chinese delegation would drop by your factory, politely swallow a Western-style lunch, tour the workshops and vanish back to China without further comment.

This month Britain's Dunlop signed a firm contract to supply the technology and equipment for a tyre plant in the north-east province of Liaoning.

The week before, Short Brothers of Belfast won a £30m order from Peking for eight aircraft following recent deals by Boeing and McDonnell Douglas for 737s and MB80s.

In January the U.S. computer group Wang signed three joint venture agreements, Japan's Matsushita raised a planned assembly of video recorders in China to 30,000 a year and the Swiss Brown Boveri sold £53m worth of power equipment. All this came hot on the heels of dozens of contracts for trucks, steel plant and telephone equipment, not to mention smaller deals for items like Polaroid film or welding machines.

"The China trade picture has fundamentally changed," says Bernard Buckman, chairman of Women Resources, a London-based Sino-British Trade Council. "Now the Chinese are serious," echoed Frank Duncan, London-based former China consultant at Mark Wong Associates. The same message comes from Bonn, Tokyo, Washington and other capitals regularly on China's trade beat.

Chinese imports climbed by over 37 per cent last year to \$25.5bn and are sure to rocket again this year as deals in the pipeline start to show up in the trade figures. The years of caution brought on by shortages of cash and concern that anti-foreignism might break out again appear to be over. Peking, flush with funds after a hugely successful export drive selling everything from oil to frozen shrimp, has given the go-ahead to Chinese organisations to buy, borrow or otherwise acquire the modern technology they so badly need.

Growing exports and greater economic freedom have generated a more than comfortable nest-egg of foreign exchange. This now totals around \$16bn, excluding gold reserves of over 12m ounces. In November, Peking said the country would begin to draw on this nest-egg to finance essential imports. For instance, last month the Chinese agreed to pay cash for FF7500m worth of badly needed digital telephone exchanges from the French CIT-Alcatel.

But China's leader Deng Xiaoping long ago realised that buying and selling in the conventional mould was not going to be enough to bring in all the technology needed to modernise China. New projects and a reformed system were needed. Since 1979 Peking has been steadily encouraging foreign investment and promoting new faces in the bureaucracy, streamlining the bureaucracy and decentralising decisions.

Promised foreign investment in China, from 1979 to mid-1984, totalled \$840m, of which \$500m went into joint equity ventures. The Chinese are particularly eager to get these ventures because, as they see it, the foreign partner is much keener than he would be as a mere salesman to transfer his know-how and management skills.

There were, up to June last year, 362 joint equity ventures

## TRADE WITH CHINA



China today: woman welder in a shipbuilding yard and a Shanghai street dominated by foreign advertising

## The dazzling vision of a billion customers

By Colina MacDougall

of various size and success, plus hundreds of co-operation agreements, processing and assembly deals, and compensation trade pacts. Technology licensing is increasing, and all over China even tiny factories are hunting for foreign partners to help them modernise.

Younger, bolder administrators are increasingly making their mark on the Chinese bureaucracy. Vice-Premier Li Peng, who is in his fifties and a former technocrat with the power ministry, is desperately trying to get the Chinese negotiators to tie up the deal for the Guangdong nuclear power station at Daya. Says one businessman: "He knows that if they don't get a move on, it'll hardly be finished in the 1990s."

Chinese negotiators are getting much more experienced," says another. "For instance, they're beginning to understand about cash flow. When we explain to them that if we get some money back from a project quickly we can give them a better price in the first place, they get the message."

"They've eliminated much of the red tape to speed things along," adds a third. Reform has meant that dealing with the bureaucracy has become much more direct.

"Business with China isn't exotic any longer," it's completely standard and routine," said Heinrich Weiss, head of SMI, which sold China a DMI-3bn rolling mill last year, in a magazine interview this month.

"Whereas before we had to negotiate every detail of an agreement with a ministry in Peking, now we deal directly with provincial governments or even with the companies with

which we plan to work. The Chinese have dropped all the circumlocutions and polite formulae and come straight to the point."

Deng's decentralisation policy has taken off to remarkable effect. Key cities and provinces, such as Shanghai and Guangdong, are allowed to make their own deals up to ceilings of several million dollars or more.

The four tax-concession Special Economic Zones, three in Guangdong province and one in Fujian, operate near-independently. When Deng toured these last year he was so impressed with progress that he pushed through a directive giving 14 other cities similar powers.

American companies particularly have moved out to the provinces. Boeing says it is negotiating with six of China's new provincial airline administrations where they expect sizeable markets for aircraft as hotels and industry grow.

Wang's new joint ventures are scheduled not just for Peking and Shanghai, but also Xian. Japan's MITI, on the other hand, tends to advise potential investors to head for the Special Economic Zones, besides the tax concessions, they also allow greater management flexibility.

But despite the trade boom, businessmen still have reservations. Deng's reforms so far have only half worked. In joint ventures, Chinese inexperience is a headache. "There is a growing trend among Chinese organisations to demand renegotiation when they perceive contract terms to be unfavourable," says Dennis B. Kelley, former director of China operations for Cummins Engine Company, in a recent issue of the authoritative Washington-based China Business Review.

On top of that, Mr Kelley adds, Chinese enterprises make over-optimistic sales projections,

change their senior staff frequently because of retirement policies, and their productivity is low. Perhaps most disconcerting, they do not keep contact with their foreign partner. "Big surprises may await the U.S. management team when they arrive on site after a three-month hiatus in communications."

The Americans have been quick to take up the joint venture idea. "They're still dazzled by the vision of the market of 1bn customers," said one trade consultant drily. Numbers of U.S. deals run into the 20s, the majority (excluding offshore oil) in light industry or the service sector.

Bureaucratic reform, though under way, is moving slowly. Officials still delay contracts. Framatome, after four to five years of negotiations over the nuclear element in the Daya power station, is tired of the long wait to sign. First the deal was to have been clinched last spring. Then signature was fixed for December. Now the new date is April this year.

The travel, hotels and associated expenses are costing US \$5-8m a month," says Framatome, which maintains teams of executives in Peking, Hongkong and Shenzhen. Asked about Chinese plans to cut bureaucracy, Framatome's view is that "good intentions have yet to be turned into results."

This would probably be confirmed by CIT-Alcatel. Peking desperately needs a new telephone system, but the negotiations still took two years. The spread of ministries and other organisations which had to be involved clogged discussions.

On top of typical bureaucratic delay, Peking's negotiators in

the new profit-oriented climate spin out discussions to try to get price cuts. "The Chinese are redoubtable negotiators. They know how to apply psychological pressure," says one CIT-Alcatel official.

He spoke with reason. CIT faced protracted last minute discussions on their contract which held up the signing from December onwards. The deal was only clinched last month when the chairman, Georges Febreux, threatened at the end of his 24-hour visit to Peking to fly back without signing.

Decentralisation has also caused problems. If you sell to a previously unknown Chinese organisation, you need some kind of assurance that it will be able to pay. For provincial joint ventures, there is no lack of potential partners but their inexperience makes them risky. On top of that, the free market has not really arrived yet and new companies often have to get allocations of basic supplies from the state, which they may find difficult.

This month, the West German Economics Minister, Herr Martin Bangemann, put some of the problems in the Chinese mind, admitted that they were now providing better data and more clearly presented invitations to tender, but asked for more accurate figures and help for representatives of foreign companies not just in Peking but other Chinese cities.

He also elaborated on importers' problems in terms that would be echoed everywhere. Besides wanting more FOB-based export contracts and more foreign freightlines to handle a bigger share of the trade, he asked for stronger guarantees against failure by Chinese exporters to fulfil contractual commitments on quality and quantity as well as price.

Decentralisation has meant wild competition among rooming enterprises and declining standards of reliability. For instance, in minerals the old state trading corporation has been replaced with several agencies which furiously undercut one another. "They're inexperienced, they dishonour contracts, two guys have even been executed for fraud," said one metals trader.

But foreign companies are still far from discouraged. The Chinese are much better organised and informed than they were five years ago.

On top of that, their spending plans are taking shape. China now means to use over \$14bn of reserves on modernisation over the next three years.

What they want is much clearer. Priorities under the present five-year plan (1981-85) are transport, telecommunications, energy and technical reserves as their recent buying programme confirms.

While they have said they will not start any large new developments in the next five-year plan (1986-90), they will be negotiating for projects which need a long lead time—nuclear power, for instance. They are also going to need thousands of smaller deals to help re-equip the general run of Chinese industry.

As for the system and its reforms, as long as Deng remains around, "if they don't work, they'll change them," said one trader. "They've got that flexibility now."

Research by Rupert Cornwell, Nancy Dunne, David Marsh, Jurek Martin and Nancy Pearman.

### RECENT CHINESE ORDERS

Company	Country	Date	Item	Value
Dunlop	UK	Feb. 85	Tyre plant	\$17m
Boeing	US	Feb. 85	4 aircraft	\$30m
Ishizu	Japan	Jan. 85	40,000 trucks	\$263m
CIT-Alcatel	France	Jan. 85	Digital switches for telephone lines	\$46m
Boeing	US	Jan. 85	2 737-300 aircraft	undisclosed
Brown Boveri	Switzerland	Dec. 84	2 transformer stations	\$53m
EMS-Inventa	Switzerland	Dec. 84	Polyester plant	\$28m
Fiat	Italy	Dec. 84	Truck plant	\$165m
Pirelli	Italy	Dec. 84	Tyre plant	\$22m
Berlin	West Germany	Dec. 84	Meatpacking plant	\$16m
Fujitsu	Japan	Nov. 84	24 computers	\$16m
Mitsubishi	Japan	Oct. 84	10,000 trucks	\$101m

Source: FT estimates.

### Roberts looks for risks

Lewis Roberts, aged 64, the shy Welsh chemist who runs what is arguably Britain's best-known laboratory, the Atomic Energy Research Establishment at Harwell, has spent his entire career there since 1947 apart from one year in the U.S.

Today about 60 per cent of Harwell's research takes the form of contracts for the public and private sector. Within the next year Roberts has the task of making it 100 per cent. Only then will he be ready to leave for a new career as the first Wolfson professor of environmental risk assessment, endowed by the Wolfson Foundation to the tune of £250,000, at the University of East Anglia.

This will be "a chair without extensive teaching duties," says Roberts, providing a focus for a lot of good research in one of Britain's most successful schools of environmental science.

Radiation and acid rain will be just two of the hot topics he will be trying to get into better perspective for government and the public.



## Men and Matters

Although Roberts was headhunted last year he insisted that he must "see Harwell through its 'pilot year' in preparation for full financing on a trading fund basis.

Who will be the next Harwell director? A front runner could be Derek Fuller, the Harwell man who was seconded to Whitehall in 1983 as chief scientist to the Department of Energy.

### Book ends

The row over the threatened closure of Collet's London Bookshop—repository of everything radical from the Ragged Trousered Philanthropist to the thoughts of Gerry Adams, head of Provisional Sinn Féin—turns out to be based either on misinformation or misunderstanding.

Some, of course, will not find this surprising. Anything new which involves the British Communist Party appears cloaked in intrigue and confusion.

What is happening, according to Steve Lytton, a senior director of Collet's Holdings, is a simple "rationalisation." True, the London Bookshop is to close, but the entire stock will be transferred just down the road to the company's International Shop. Nor will there be any forced redundancies: everyone will be re-employed in the bigger shop.

"I have been a member of the CP for years," says Pearman. "But after this, I'm not so sure."

"Listen," rejoins Lytton. "There's no way at all that the present direction of Collet's will do anything to lessen the availability of radical books. That's what we've known for for over 50 years, and we're not going to change now."

The issue is exciting widespread feeling, including a Commons protest motion already signed by more than 20 MPs, including at least two from the Alliance.

The knives are out. But who is stabbing whom?

### Cat's whiskers

Bankers do have a sense of humour — witness this Press release from the Royal Bank of Scotland, which sounds like a response to the rival Bank of Scotland's recent announcement of computerised home banking.

It describes a money box in the shape of the "Top Cat" cartoon character used in Royal's television ads.

"After years of marketing its pace-setting FIG (Personal Income Generator), the Royal Bank has now added a multi-coloured CAT (Coin Accumulating Terminal) incorporating a number of breathtaking technological advances.

lugs of the main cash-retaining module."

And it adds: "A particularly exciting breakthrough is the introduction of a parabolic base to impart the rocking motion to the assembled unit, activated by the injection of coins."

### Paging the oracle

As befits Ireland's largest company, the Jefferson Smurfit group likes to cut a bit of a dash on occasion. So the celebrations this week of its 50th anniversary include not only the usual shindigs but the publication of a book on Irish management.

Sean A. Brophy, the author, is an old Smurfit hand, who now teaches on the MBA programme at Trinity College, Dublin.

His book, "The Strategic Management of Irish Enterprises, 1934-84," traces the history of Smurfit and four other leading Irish enterprises — Irish Distillers, Waterford Glass, Aer Lingus and Waterford Co-op.

The common theme seems to be that it is the quality of managers that determines success.

Not surprisingly, the quote on the inside cover is from the Yorkshire-born Jefferson Smurfit himself. "Opportunity comes to pass, not to pause."

### Please listen . . .

When as Communicator of the Year yesterday by the British Association of Industrial Editors, Colin Marshall, chief executive of British Airways, remarked that there are a number of ways to approach communications.

"Mark Twain once told of seeing a gentleman belabouring his horse about the ears with a piece of two by four. Interrupted by a shocked animal lover, he patiently explained he was just trying to get the horse's attention."

Observer

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FT/21



## Letters to the Editor

### Agriculture in Europe

From Professor A. Buckwell

Sir—There were interesting contrasts and similarities in the two articles you published on the Common Agricultural Policy (February 20), one by David Curry MEP and the other based on an interview between your agricultural correspondent and Frans Andriessen, the new EEC farm commissioner.

Both Andriessen and Curry acknowledge that the market imbalances for most supported farm products and the consequent budgetary costs imply the need for further price cuts. They also both recognise that price policy alone is insufficient. Where they appear to diverge is that Curry looks to solve the income problems of small and marginal farmers by the somewhat ill-defined means of controlling the transfer and access to agricultural land. He also hints that the bureaucratic nightmares created with the institution of milk quotas provides some guides to the operation of a social policy for agriculture. How refreshing therefore to see that the new commissioner for agriculture is approaching the problem with some more enlightened ideas. Cash payments to the poorest producers have the virtues of being direct, selective, effective, progressive and cause the least distortion to factor and product markets. On close inspection it may turn out that direct income supports are just as expensive as the present system of support through price policy. The vital difference would be that the beneficiaries would be those most in need, and the contributors those most able to pay.

David Curry also perpetuates

### Predictions on pensions

From the Pensions Officer, General, Municipal, Boilermakers and Allied Trades Union

Sir—Your report of February 11 on Mr. Fowler's proposals to abolish the state earnings related pension scheme (SERPS) quotes his arguments that the worsening ratio of contributors to pensioners and rising rates of contribution will make it impossible to afford to pay for SERPS in the future. It is interesting to examine the history of the figures behind those arguments, starting with the Government Actuary's quinquennial review of the National Insurance Fund published in 1982.

The DIBS produced a background paper for the Fowler inquiry into provision for retirement, called "Population pension costs and pensioners' incomes." The first section was prepared by the Government Actuary's department and presented estimates which "derive from the 1982 quinquennial review of the scheme with updating adjustments." In fact there are very significant differences between the 1984 paper and the 1982 review, and how these differences arise is not explained in the 1984 paper. A cynic might think that the "updating adjustments" were made deliberately to present a pessimistic picture of the escalating costs of state pensions.

For example the 1982 review stated that the ratio of contributors to pensioners was expected to fall from 2.4 in 1985-86 to 2.1 in 2025-26, while the 1984 paper gave the figures as 2.3 in 1984-85 and 1.8 in 2025-26. Both documents gave projections for the national insurance contribution rates over the next 40 years. In fact they gave a range of projections based on a range of economic and demographic assumptions, but both chose to present one central estimate. The 1984 paper projected that the ratio of pensioners only) increasing from 12.5 per cent to 19.9 per cent—an increase of 7.4 percentage points. The 1982 review quoted in its summary that the cost (of all national insurance benefits) would increase from 15.4 per cent to 21.8 per cent over the same period, an increase of 6.5 percentage points, and qualified this by saying that it was more likely to be 1 or 2 per cent lower than this because this prediction was based on zero real earnings growth. The figures quoted in the press release which accompanied the 1982 review were 15.3 per cent and 20.3 per cent, in other words an increase of only 5 percentage points. It is difficult not to believe, therefore, that the 1984 projections were deliberately made to look as gloomy as possible, in order to provide spurious justification for these unnecessary cuts.

John Cullen, *Thames House, Claygate, Surrey.*

### World trade in textiles

From the Director of Studies, Trade Policy Research Centre

Sir—The correspondence following the publication of Professor Aubrey Silberston's report on the multi-fibre arrangement has had some strange moments. On January 22 Mr Ian Bradley asked how one could justify the ending of the transfers to developing countries created by the MFA. While it is frequently argued that these transfers compensate developing countries for the restrictions, never have I seen it suggested that those transfers are theirs of right, a morally justified aid programme, so to speak. Would Mr Bradley justify the MFA as an aid programme, when its benefits go mainly to rich people (that is, owners of quota-holding firms) in the most successful developing countries, while the demand for labour in developing economies is lowered?

Dr Neundorfer (February 11) is a distinguished spokesman for the German textile industry, but his "clarification" of Professor Silberston's report needs some clarification. He has misunderstood the point about quota rents. If there are quota rents in some suppliers, then prices that can be charged by all competing producers, wherever located, are raised above those that would exist in the absence of those restrictions, provided only those suppliers who are effectively constrained would expand their output in the absence of the restraints and squeeze out some higher cost suppliers elsewhere. In other words, the MFA would have no general effect on prices of the kind mentioned in Professor Silberston's report unless if there were no quota rents anywhere. It is true that Professor Silberston was wrong to suggest in his letter of January 29 that the higher prices in effectively unrestricted suppliers must appear as rents. They may represent higher costs. Nevertheless, whether the higher prices represent rent or just waste, they are a burden for the importing countries.

### The Slepner gas decision

From Professor P. Odell

Sir,—In his letter regretting the cancellation of the Slepner gas deal, Mr Mackay (February 18) writes "Price was not a serious issue of disagreement." I wonder. As with all previous major intra-West European gas trade contracts, price parity with oil was of the essence. As a result markets for gas have been restricted, so matching the conventional view of limited potential gas supplies available in an expanding energy market. These two essential parameters for pricing gas are, however, no longer valid: the energy market is flat, while potential gas supplies available in an expanding energy market are in long-term surplus. Suppliers seeking additional markets are now changing their policies and are prepared to deliver gas at prices which enable them to expand its share of energy consumption. Analysis of West German and Dutch trade statistics for 1984 appear to indicate an average Soviet gas export price of about \$2.30 per million btus; or, say, 25p per therm at current exchange rates. This is a far cry from the reported 35p per therm to which the Slepner gas price had escalated under the dollar oil price-related formula, and from the equivalent price of any oil products. Indeed, it brings the gas price within "spitting distance" of the imported coal price. This development indicates the direction in which gas prices are now moving, so strongly in Western Europe, a process which was recognised in late 1984 by Gasunie's acceptance, in principle, of a different, more flexible basis for pricing its gas exports. This, incidentally, could well have been a reluctant response to its loss of 7.3 per cent of its gas exports to Western Germany (compared with 1983) in a year when the latter's imports of Soviet gas increased by 24 per cent.

Had the Slepner deal not been rejected the UK stood in danger of tying itself to a gas pricing system which would not only have made its medium-term gas expensive compared with the rest of Europe, but also ensured higher energy prices all round as alternative fuels (and electricity) would not have had to face the competition which lower gas prices will stimulate elsewhere in the continent.

(Prof) Peter R. Odell, Erasmus University, Postbus 1703, 3000 DR Rotterdam.



### Supping ale under pressure

From Mr D. Connold

Sir,—I am writing to express my increasing concern on the inordinate pressure that is now being applied to people like myself who enjoy a glass of beer when they visit a public house. I am referring to the ever-growing trend, or the acquisition, with which we are subjected to as to the type of glass that we wish to have before we have even had the opportunity to decide what type of beer is desired.

When I visit a public house, it is either for a meal or to have a drink, and I am really not terribly concerned as to whether I have a straight or jug glass in which to enjoy the beer. I would strongly urge that this rather strange custom is dropped as soon as possible, as I feel the unnecessary hassle of that we simple beer drinkers have to endure is reaching epidemic proportions.

D. J. V. Connold, *11th Farm, Cotchete, Nr Hitchin, Herts.*

### Costs savings on Trident

From Professor I. Bellamy

Sir,—The case presented against the UK Trident programme in your forceful leader of February 20 is flawed in one important respect. You say that the Trident decision has an "inherent flexibility," implying that it cannot be reduced in scale either to save money or to produce a strategic nuclear capability more in keeping with what the country's requirements might properly be, given the enormous increase in destructive potential between the existing Polaris A3 missile and the Trident D5 replacement.

Your charge is a grave one but it does not seem to be soundly based on the present plans for 16 tube submarines could be altered to 12 tube or 8 tube boats with minimal disruption either to the boat building programme or to financial commitments already entered into with the United States. The method of construction of ballistic missile submarines is modular and the basic design can tolerate a middle missile tube section of anywhere between 4 tubes and 24 tubes in capacity. The missile purchasing arrangements with the United States do not include any penalty clauses and there would be no serious financial obstacle to Britain deciding to reduce the size of the force of 16 tube missiles from the American makers.

In fact recent calculations show that four 12 tube boats would produce an overall capital cost saving of \$1bn on the cost of the 16 tube boats—a saving of £20m.

Just as important, because most of the saving would be on the cost of missiles, it would impact more on the dollar cost of the programme than on the value of the weapons to be done in the United Kingdom. This may be especially significant because with the programme as it stands at the present time, at current exchange rates, slightly more than half of the cost will be spent in the United States.

(Professor) Ian Bellamy, University of Lancaster, Bailrigg, Lancaster.

### Action against terrorism

From the Secretary General, Council of Europe

Sir,—I read with much interest the despatch by James Buxton (February 13) under the heading "Action against terrorism" from the meeting of EEC Foreign Ministers.

May I add my voice to Mr Andriessen's call to ratify the 1977 Council of Europe convention on the suppression of terrorism, which could indeed prove an effective instrument for countering terrorism in the European parliamentary democracies if ratified by all our 21 member states.

Fortunately, the situation is better in this regard than an earlier article suggests: the number of ratifications has already reached 14. Regrettably however, these include only four EEC states (Denmark, Federal Republic of Germany, Luxembourg and the United Kingdom).

Marcelino Oreja, *F67006, Strasbourg.*

### Sources of low productivity

From the Secretary, Institution of Production Engineers

Sir,—The editorial "Sources of low productivity" (February 22) highlights one of the fundamental problems which has plagued British industry for decades. It is really all a matter of attitudes of mind.

For many years now members of this institution have been striving to lift levels of productivity through more effective utilisation of basic resources—manpower, materials and investment. Yet still we find entrenched anti-industry attitudes generally prevailing.

It was said recently by one leading industrialist that Britain is the only industrial nation in the world that does not have an industrial culture. The result is that the enormous reserves of talent that exist in this country are directed away from manufacturing and into the service industries.

Our educational system, at secondary school level, does not encourage the best young minds

to look towards industry as providing a rewarding and satisfying career. Consequently, we find that fewer and fewer young people of the quality we need are choosing to study production engineering to degree level.

While we would agree wholeheartedly with the statement that a concerted effort is needed to raise the level of technical competence in manufacturing, the IPEE believes that it is not just among foremen (we would prefer to call them middle management) where the problem lies. We are of the opinion that the industrial future of the UK can only be assured when all sectors of society wake up to the contribution made to national wealth creation by professional engineers generally and professional production engineers in particular. The outmoded image of manufacturing industry comprising hordes of men in boiler suits with spanners in their hands must be dispelled.

R. J. Miskin, *64 Little Ealing Lane, W5.*

## UK Job Creation Programme



Flashback to last year's Liverpool Garden Festival, which provided the catalyst for a Community Programme project

## Back to work —for one year at least

By Alan Pike, Industrial Correspondent

IT BEGAN when Mersey Regional Health Authority decided to offer free 15-minute health and fitness checks to thousands of visitors to last year's Liverpool Garden Festival.

The checks were an instant success and soon attracted the attention of the Community Programme run by Britain's Manpower Services Commission. Now four specially converted double-deck buses, staffed by 130 workers sponsored by the Community Programme, are to tour the North West carrying out fitness checks at factories, colleges and public events.

This is but one example of hundreds of unglamorous, mostly small activities now backed by the Community Programme. Sceptics dismissed it when it was launched by Sir Geoffrey Howe, the then Chancellor, three years ago. But today it is running at its target of 130,000 filled places and a further big expansion may be announced in next month's Budget.

Typical Community Programme projects involve such schemes as clearing and landscaping waste land, adapting playgrounds or renovating buildings, setting up adventure playgrounds or renovating canals. They are of considerable benefit to local communities—and they offer real work to the unemployed.

Workers on the Community Programme must have been unemployed for up to one year, depending on their age. The MSC reimburses sponsors' wage costs, and workers receive the local rate for the job, although this does not make the programme a route to riches. Average wages on a project must not exceed £55 per week.

When Sir Geoffrey announced the programme, critics argued

that the level of wages would deter applicants. Take up has indeed been slower in London and the South East than elsewhere. But there is no doubt that if the Government decides to expand the scheme—it is believed to be considering doubling it in size—there will be plenty of applicants.

There is also no shortage of projects waiting to benefit from the attention of Community Programme workers. So, since the Government's net cost of supporting a job on the programme is currently less than £2,000 per filled place, the case for expansion looks strong. Net costs work out at between 30 and 40 per cent of gross costs, which are at present £524m.

The first follow-up surveys of former Community Programme participants found 32 per cent in employment and a further 5 per cent in training. This, says the MSC, suggests that the scheme "significantly improves participants' ability to obtain work."

But there is also a case for caution about expanding the programme. In Liverpool, some of these doubts are expressed by Tony Chadbourne, principal co-ordinating officer in Merseyside County Council's development

and planning department.

The council has been involved in the Community Programme and its predecessors from the beginning, and has helped provide temporary work for more than 5,000 people—most programme sponsors are local authorities, other public bodies or charities and churches. Like several Labour councils, Merseyside has agreed with its unions to top up the MSC wage subsidy, which on its own often provides for only part-time work, so that its Community Programme workers can be employed full-time during their year on the scheme.

Mr Chadbourne speaks proudly of some of the environmental and other improvements which have been made possible by the scheme. "And of course it is good to see unemployed people, many of them youngsters who have never worked before, getting experience of real work. But there are problems which need to be overcome before we get carried away with ideas of increasing the size of the scheme."

Among these worries—and Mr Chadbourne is far from alone in expressing them—are: ● The fact that Community Programme projects last for only 12 months, although they can

be renewed, making long-term planning difficult.

● The lack of any necessary link between the type of work open to Community Programme workers and future employment which is likely to be available in their locality; he would like greater local control of the scheme.

● A need for more finance to improve both the standard of schemes and training opportunities available on them.

The Government gave approval last year for a training element to be included in the programme, and the MSC intends that 50,000 participants should be receiving training linked to the Community Programme by 1986-87. By then it plans to be spending £24m per year on Community Programme-linked training.

Many MSC field staff agree that training on the Programme must be given priority. If finance is limited, there is a difficult balance to be struck between increasing the size of the scheme—with its political attractions—and immediate benefit for the unemployed—and improving the quality so that people taking part are given the best chance of using it as a stepping stone to future permanent employment.

But as a relatively cheap way of occupying the long-term unemployed on worthwhile projects, the Community Programme has lots in its favour. "Sponsors, Community Programme workers and local communities are all giving the scheme the thumbs up," says Jeremy Surr, the senior MSC official in charge of the programme. "Lots of people said the Community Programme would not work. Now many of those same people are saying it must be extended."

## BB BANCO DE BILBAO

### 1984 CONSOLIDATED FINANCIAL HIGHLIGHTS\*

#### Consolidated balance sheet December 31, 1984

(Currency - Millions of Spanish Pesetas)

#### ASSETS

Cash and due from banks.....	989,717
Bills and loans.....	1,152,761
Less: Provision for doubtful accounts.....	59,870
Investment securities.....	290,319
Customers' liability for acceptances, guarantees and documentary credits.....	138,044
Premises and equipment.....	82,847
Other asset accounts.....	98,651
	<u>2,692,469</u>

#### LIABILITIES

Capital and reserves:	
Capital stock.....	22,312
Reserves, retained earnings and income for the year after provision for income tax.....	81,848
Less: Interim dividend.....	2,789
	<u>79,059</u>
Minority interests.....	3,801
Due to banks.....	338,835
Customers' deposits.....	1,854,965
Bank bonds.....	140,085
Bills payable and other liabilities.....	8,343
Acceptances, guarantees and documentary credits.....	138,044
Other liability accounts.....	107,025
	<u>2,692,469</u>

#### Consolidated statement of income for the year ended December 31, 1984

(Currency - Millions of Spanish Pesetas)

Total income.....	320,278
Financial costs.....	190,320
Operating margin.....	129,958
Operating costs.....	73,748
Gross trading profit.....	56,210
Total provisions and depreciation.....	50,063
Total miscellaneous items.....	13,496
Pre-tax profit.....	19,643
Provision for corporation tax.....	3,965
Minority interests.....	1,130
Net profit.....	14,548

\*The Consolidated Financial Statements of the Bank with its subsidiaries comprising the Finance Group as of December 31, 1984 have been audited by Arthur Andersen & Co. who have issued an unqualified auditor's opinion dated January 21, 1985. These financial statements and the notes thereto together with the Auditor's Report are available for inspection by the public at the Bank's Head Office, Gran Via 12, 48001 Bilbao, Spain, and can be obtained upon request.



Overseas investors account for over half market turnover, writes John Davies in Frankfurt

## U.S. demand drives German stocks higher

FOREIGN BUYING has been the driving force behind the West German share market's rise to new peaks since the beginning of this year.

More than half the turnover has involved foreigners, according to banking circles, compared with 40 per cent late last year and a smaller, though significant, percentage earlier.

The foreign influence so far has been predominantly on the buying side. One highly placed banker estimates that foreigners have been behind 60 per cent of the buying and 40 per cent of the selling.

Assuming that a lot of UK buying is on behalf of Americans, U.S. interest now accounts for more than half the foreign dealings in the West German share market, according to bankers. "The Americans are bigger in the market than the Swiss, who used to be the main buyers," one banker said. "The Americans are interested in building up steadily over the last two to three years."

Foreigners added DM 3.67bn (\$1.07bn) worth of West German shares to their portfolios last year (32 per cent more than in 1983). This was the net result of foreign buying orders totalling DM 19.54bn and selling orders of DM 15.87bn.

The foreigners thus accounted for a sizeable slice of last year's share turnover on West Germany's eight regional stock markets. Official figures put turnover at DM 84.7bn, marginally ahead of 1983, but trad-

FOREIGN INVESTMENT IN WEST GERMAN SHARES (DM billion)				
	Purchases	Sales	Net Investment	Total turnover*
1980	6.49	5.92	0.57	27.7
1981	8.98	7.25	1.73	32.9
1982	7.05	7.25	0.20	35.2
1983	18.54	15.76	2.78	84.1
1984	19.54	15.87	3.67	84.7

\* Excluding local trading of foreign shares  
Source: Bundesbank stock market statistics

ing outside bourse hours would add perhaps 20 per cent to this.

As the dollar has risen, West German shares have appeared relatively inexpensive for U.S. investors, notably pension funds. This has added to the attraction of shares which, according to West German bankers, have a number of fundamental economic factors in their favour.

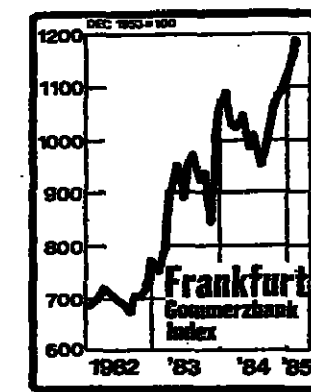
For a start, the West German economy is expected to show further moderate growth of 2.5 to 3 per cent this year, with stimulus coming from exports and investment. Inflation is low by anyone's standards, running at little more than 2 per cent a year. What's more, company profits, which grew by 30 per cent last year, are expected to show a further 15 per cent rise this year.

The Commerzbank index, which closed last year at an all-time high of 1,107.9 (70 per cent up on the trough of August 1982), began this year by going ahead to successive peaks. It touched a record level de-

spite nervousness before and after the Bundesbank's decision on January 31 to raise its Lombard rate - one of its key interest rates.

The share market and the bond market, particularly, have been unsettled, however, by the prospect of a further increase in interest rates in the face of the high U.S. budget deficit and the rising dollar (with its implication of imported inflation in West Germany).

A tantalising question has also been raised in stock market circles in view of the increased U.S. involvement. If the dollar falls, will foreign investors - who may have made currency losses as the dollar rose - sell out in profit-taking exercises, as happened in the 1960s? Bankers feel that much U.S. buying is medium to long-term, intended to build up an increased West German element in international portfolios. They believe, moreover, that U.S. investors "learned a lesson" in the 1960s and are more sophisticated in bourse trading.



At the same time they are aware that foreigners, while not constantly predominant in bourse dealings, have in the past set off trends by "giving a kick" to the market, as one banker puts it.

With a market capitalisation of DM 246.7bn at the end of last year, the West German bourse stands in comparison with larger stock markets, but has gained some dynamism as more companies have gone public in recent years.

New launches reached a peak of 21 last year with Deutsche Bank particularly active, and the wave is expected to roll on this year, though perhaps not quite with the same momentum.

In recent buying, foreigners have been attracted to "blue chip" stocks, particularly those benefiting from business in the U.S., such as

Porsche, whose non-voting preference shares were launched on the market last year. Daimler-Benz and major chemical companies have also proved attractive.

Some West German shareholders, including investment funds, have been happy, according to banking circles, to cash in their capital gains by selling to foreigners. With a more discriminating approach, some local investors have turned more to second-ranking stocks and to warrants granting future rights to shares. Some Middle East investors have also been selling.

The profitable insurance sector, which has been continually strong with rises of 50 per cent in 1983 and 25.4 per cent last year, has shown the biggest gains so far this year of over 20 per cent.

The long-neglected steel sector has shown a similar rise this year, with Thyssen's profits reflecting the industry's improved outlook after drastic structural changes and job cuts.

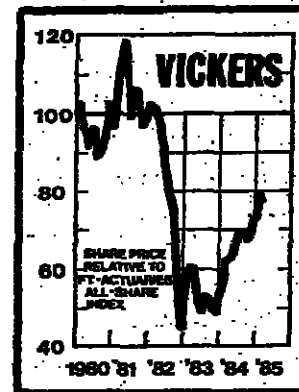
Electricals have also made strong gains, with Siemens rising sharply on reports of its investment plans and its more profit-oriented dividend policy.

The building and retailing sectors, as a whole, have lost ground this year in view of concern about building orders, the restrained mood of consumer spending and the strong competition in retailing.

Stock markets, Section III

## THE LEX COLUMN

## Stampede of the dollar bulls



There is no point in pretending that anybody can explain yesterday's stage in the ascent of the dollar. President Ronald Reagan's cavalier remarks about toying with the exchange rate should have burnt themselves out last Friday and nothing emerged over the weekend on either side of the Atlantic to make the dollar more desirable. The only market news any trader could seize on was that the central banks had once again failed to intervene.

Interventionists, especially those who believe in stopping the dollar rather than merely increasing the cost of speculation, are counselling themselves with the belief that the central banks are just biding their time. As the dollar goes through any remaining chart points and the bulls run out of technical excuses to buy, spontaneous profit-taking might make such intervention more effective. For the moment, however, the Bundesbank at least seems disinclined with the possibility of co-operation; if the Bank of England is worried about committing its reserves, the Federal Reserve has no such excuse: it would be buying reserves. But even with serious help from the Fed, intervention can provide no long-term solution unless the Administration and Congress are prepared to back it up with fiscal measures.

The vertical trading yesterday need not have been entirely the result of speculation. The dollar has now been rising so fast for so long that a new sort of commercial demand is surfacing. Treasurers who had covered themselves by selling dollars forward are now repentant, buying dollars to unwind these embarrassing positions. They could regret that, too.

Until sterling came under fire late in the European afternoon, it was the D-Mark which took most of the flak, allowing the dollar to rise by an apparently unprecedented seven pence on the day. Part of the problem is that President Reagan's chaotic foreign economics is being reflected in general American pessimism about Europe, and West Germany in particular. An evidently tight fiscal policy and low inflation rate appear to be resulting in stagnation, not an attractive proposition on Wall Street.

Falling the competitive radiation advocated by Mr Reagan, a continued rise in the dollar ought eventually to be self-correcting. The U.S. current account deficit is somebody else's surplus and the net imports

must have some contractionary effect even on America's introverted recovery. Anyone who is buying dollars on the assumption that the U.S. can stay permanently ahead of the game is, ironically, helping to prove the contrary.

### Vickers

Yesterday's preliminary statement had been expected to set the seal on the Vickers recovery, so it was disappointing to see the effect spoiled by something so apparently trivial as scheduling problems in the French office furniture business.

It was the fourth quarter losses from that area which left 1984 profits trailing behind the market's forecasts and pushed the shares down to 235p.

The market's judgment was perhaps ungenerous - Vickers is now back on schedule in France - but it reflected some residual suspicion about the length and strength of central management's aim.

Mr David Plastow and his colleagues have largely accomplished the strategic goals they set on arrival from Rolls-Royce, the balance sheet has been tidied up and the group can point to growth prospects more interesting than most in the UK engineering sector. Vickers still has a habit, however, of tripping up on something just when the business appears to be running smoothly.

In 1983 the problem was Rolls-Royce Motors and here at least Vickers is back on course. Indeed the recovery at Rolls accounts for all the improvement in pre-tax profits from £19.5m to £30.6m. The Rolls performance would have been better still but for the company's prudent decision to sell dollars 18 months forward in the middle of 1983. Rolls has done the same again

this year - which may not look too clever at yesterday's exchange rate - but at least guarantees a respectable margin throughout 1985.

While Vickers has made Rolls less sensitive to movements in exchange rates and U.S. consumer demand, the division does not offer much by way of volume growth. Much the same goes for the other two principal divisions - lithographic plates and defence. Lithographic did well almost to hold profits after a steep rise in aluminium prices, while defence is benefitting nicely from a big Nigerian tank order. Neither will show enough growth, however, to make the share price rating - a prospective yield of over 7 per cent and a multiple of 6.7 times (assuming pre-tax profits of £40m taxed at 20 per cent) seem unduly pessimistic.

What Vickers might need is an acquisition in one of its smaller divisions, something for which its management has both the appetite and the resources.

### Kean & Scott

Kean & Scott's purchase of Moben last September showed the style of a Hawley Group acquisition: within a troubled business, a cash-generating operation seemed to be struggling to get out. Five months later, Kean & Scott must be regretting it had not left Moben to the receiver and then picked it up; three divisions have since gone into receivership while Kean & Scott has had to commit the larger part of its distributable reserves to sort out the fitted-kitchen business, which remains. Whatever recompense Kean & Scott may gain for being so wrong about Moben, its balance sheet will have deteriorated sharply.

Kean's USM shareholders, who were informed fairly brutally about Moben's problems in a letter earlier this month, learn little more from yesterday's results to the end of December. Since no interest charge is given, it is not possible to guess what Moben borrowings the balance sheet will show. Admittedly, a modicum of equity gearing matters little for a company that turns over its stock every fortnight; but for 1985 at least, Kean & Scott will not enjoy the easy run through to the bottom line it has shown to date. Moben and Kitchens Direct are a real force in the fitted-kitchen market, with combined sales of over £20m, but Moben does not seem likely to contribute much to earnings before 1986.

## Fermenta in merger talks with state group

By Kevin Done in Stockholm

FERMENTA, the fast-growing Swedish biotechnology and fine chemicals company, and KabiVitrum, the state-owned pharmaceuticals concern, have started talks about a possible merger.

In a short statement the two companies said a merger could "give greater possibilities for expansion, together with a better utilisation of plant capacity."

A working group comprising representatives from the two groups and Procordia, the state holding company which is the parent company of KabiVitrum, has been set up to investigate the advantages of a merger.

Mr Gösta Bystedt, chairman of Fermenta, stressed last night that talks were still at a preliminary stage. It was far from clear whether present government policy would allow the disposal of any part of the state's holding in KabiVitrum, he said.

Fermenta is chiefly a manufacturer of bulk penicillins - intermediate chemicals used in the manufacture of pharmaceuticals - and accounts for about 10 per cent of world production. It was launched on the Stockholm stock market last summer and has been expanding quickly with a spate of acquisitions in the U.S. and Italy.

It expects sales this year of about SKr 700m (\$73m) and profits of SKr 154m, but additional sales of about SKr 850m will come from its recent takeover of Pierrel, an Italian producer of chemicals, pharmaceuticals and consumer products.

KabiVitrum is the world's largest producer of human growth hormone using conventional DNA techniques. It also produces the hormone using recombinant DNA techniques.

It has successfully integrated new technologies such as genetic engineering and recombinant DNA technology into the production of pharmaceuticals and is concentrating its future international growth in biochemical products.

In 1983 it had a turnover of SKr 1,260m, profits of SKr 175m (after financial items) and a workforce of 2,260.

## Oslo plans improved terms in new offshore licence round

BY FAY GJESTER IN OSLO

FOREIGN oil companies will be offered better terms than previously under Norway's ninth offshore licensing round, due to be announced this week, according to Mr Hans Henrik Ramm, special adviser on oil affairs to the Ministry of Finance.

The Government has decided to modify the controversial "sliding scale" proviso, which has been attached to all licences granted since 1973, he said.

That allows Statoil, the state oil company, to increase its initial half-share of a concession by a series of steps to a possible 85 per cent, depending on production volume when a field comes on stream. While Norwegian oil companies have sometimes been exempted, no such concession has yet been granted

to Statoil's foreign partners in a licence consortium.

Oil companies dislike the proviso because it complicates long-term planning of a field. Each partner in a licence group knows the size of its initial stake but not what it will finish with should Statoil exercise its option.

Formal Cabinet approval of the ninth-round licences, originally expected at the weekend, has been delayed until next Friday, apparently while minor details are revised.

Mr Ramm said most of the 11 licences due to be awarded would give Statoil only a "single step" option - to increase its share from 50 per cent to a percentage specified in advance.

Statoil, meanwhile, has confirmed its interest in principle in buying stakes in European gas distribution networks as a way of helping sales of Norwegian sector gas, which the company has been given the job of marketing.

The company was commenting on Danish reports that it was seeking a stake in Denmark's recently completed gas grid. While it had no such plan at the present, a spokesman said, it would consider any offer the Danes might make.

A stake in the Danish gas distribution system - possibly coupled with storage space making it easier to meet seasonal demand fluctuations - would facilitate sales not only to Denmark, but to West Germany and southern Sweden as well. Statoil's provisional agreement to sell \$21m worth of Norwegian Gas to the British Gas Corporation was recently vetoed by the British government.

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## BP urges reform of UK oil pricing

By Ian Hargreaves in London

BRITAIN'S systems for setting North Sea oil prices should be reformed, but not scrapped, British Petroleum (BP) said yesterday.

BP is the first oil company publicly to express the view on the future of the British National Oil Corporation (BNOC).

The group was giving evidence to the UK House of Commons Energy Committee examining the role of BNOC in North Sea pricing as part of its scrutiny of British government requests for funds to cover BNOC's large trading losses.

A written memorandum from BP argued that BNOC should switch gradually to "a more flexible mix of contracts and prices in a way which reduces its exposure to speculative factors."

BP advanced two ideas to reduce the amount of oil flowing through BNOC's hands:

● BNOC should modify its participation agreement with individual oil companies to permit BNOC to reduce the amount of oil it takes to less than the statutory 51 per cent.

● The Government should waive its right to receive royalty payments in oil (these are then sold by BNOC) by taking some royalty in the form of cash when the oil market is weak.

BP said that neither move could or should be made swiftly. Six to 12 months' notice would have to be given to change the terms of participation agreements.

The fact that BNOC takes 51 per cent of North Sea crude, plus royalty oil, means that it trades around 800,000 barrels a day of crude.

This large volume of oil, currently being sold on the spot market, is seen as a destabilising factor in the world oil market.

Mr David Simon, BP's general manager for trade and supply, told the committee that BP would not necessarily support BNOC's abolition without knowing what would replace it.

"The uncertainty of a world without BNOC would be very problematic for the operator," he said. BP's written evidence also highlighted the confusion over North Sea taxation arrangements.

In its session before Christmas, the UK Treasury told the committee that the oil price used for levying tax on North Sea companies was a mixture of BNOC's official prices and actual market transactions.

BP flatly contradicted this claim. "In our experience in date the Inland Revenue has rarely accepted anything other than BNOC's price. Even in steeply falling markets, where the BNOC price has lagged behind spot prices, the BNOC price has usually been taken as the tax reference price."

BP called for a more flexible approach in taxing oil which is shipped by an integrated company from its own oilfields to its own refineries.

Because spot market prices had frequently been lower than official BNOC prices, Mr Simon said, BP had been faced with the prospect of paying tax at a rate of more than 100 per cent on its oil production.

Setback for Irish oil, Page 2

## Nearly 50% of UK miners now working

Continued from Page 1

where the issue is likely to be raised.

In the north east of England, where 1,292 men crossed picket lines, a stormy branch meeting at Easington colliery - the area's biggest - made a similar call. Some 1,500 of the pit's 2,000 miners demanded a Durham area conference to call for the national executive to organise a return to work in all the coalfields.

The proposal, which has steadily gained ground over the past few weeks, remains opposed by the NUM national leadership and by some of the area leaders. However, it is finding credence with local leaders and activists, who see the strike crumbling at their level but cannot bring themselves to give assent to an agreement they see as humiliating.

## Telecom talks shelved

Continued from Page 1

phone (NTT), is to be transformed into a private company, although still under government control.

The legislation covers not only the change in NTT's status and the opening for other carriers, but also complex issues such as procurement policies and the role of foreign concerns in the Japanese telecommunications market.

Japan is currently also drawing up, supposedly by the end of March, another of its market opening packages in accordance with promises made by Mr Yasuhiro Nakasone, the Prime Minister, to President Ronald Reagan during their meeting in California early in January.

Although telecommunications are expected to form a part of that, there seems to be some doubt now that it can be completed by the deadline.

Japan has also said that domestic political considerations make it impossible to meet U.S. demands for the dismantling of protective tariffs around its plywood industry. The U.S. complained again yesterday about lack of progress in that area, while parallel negotiations on elec-

There may be attempts to discuss the issue at a meeting of the union's national executive on Thursday.

Dr David Hunt, the Coal Minister, played down all suggestion of humiliation when he said "There must be no talk of victory or defeat - moderation not militancy is the message of hope for the future of the coal industry."

Mr Michael Eaton, the NCB's communications chief, said: "Inexorably, men will continue to return to work as they feel let down by the leadership of their union."

Mr Scargill - in apparently high spirits as he went to a meeting with senior leaders of the Trades Union Congress - said: "The fact is 124,000 of our members are not at work. That really should show after 12 months the determination of our members."

tronics and pharmaceuticals have also yet to show much progress.

Nancy Dunne in Washington writes: The United Auto Workers' Union and several Congressmen will push new legislation specifically aimed at Japan that would establish a ceiling on the overall bilateral trade deficit the U.S. would permit with any one country, according to Mr Owen Bieber, the union's president.

The proposed "Trade Deficit Reduction Act of 1985" would also limit the imports of individual industries from individual countries, Mr Bieber said.

"The initial impact would be on Japan, since that is where the largest single-nation deficit exists," he said. "That would help the auto industry. But it would also help others... who lose work to Japanese imports or are shut out of Japanese markets."

Mr Bieber said it was an "outrage" that President Reagan's economic and trade advisers have proposed to end U.S. limits on Japanese motor imports at a time when the trade deficit with Japan is \$37bn.



Mr Yitzhak Shamir

## Israelis welcome peace plan

Continued from Page 1

ment marks a substantial step forward in Middle East peacemaking.

Mr Shamir also had no luck in persuading France to absorb more of Israel's \$1.5bn trade deficit with the EEC. The French Government takes the view that two-way agricultural trade between France and Israel is in balance and that French exports are even declining.

Mr Shamir is also visiting West Germany and the Netherlands to discuss the adverse impact of the entry of Spain and Portugal into the EEC on Israeli agricultural exports. The EEC absorbs about 70 per cent of Israeli agricultural produce.

## World Weather

Area	C	F	Area	C	F	Area	C	F	Area	C	F
Algeria	12	54	Darmstadt	10	50	Madrid	10	50	Stockholm	10	50
Alexandria	18	64	Faro	14	57	Moscow	10	50	Sydney	10	50
Amman	17	63	Frankfurt	14	57	Nairobi	10	50	Taipei	10	50
Ankara	10	50	Geneva	10	50	Rangoon	10	50	Tokyo	10	50
Baghdad	10	50	Hong Kong	10	50	Seoul	10	50	Yokohama	10	50
Bangkok	24	75	London	10	50	Tel Aviv	10	50			
Bombay	24	75	Los Angeles	10	50						
Buenos Aires	12	54	Manila	10	50						
Cairo	10	50	Medan	10	50						
Calcutta	24	75	Perth	10	50						
Canton	10	50	Port of Spain	10	50						
Cebu	24	75	San Francisco	10	50						
Colon	24	75	Seattle	10	50						
Copenhagen	10	50	Shanghai	10	50						
Dakar	10	50	Singapore	10	50						
Dhaka	24	75	Sofia	10	50						
Hankow	10	50	St. Petersburg	10	50						
Hong Kong	24	75	Tientsin	10	50						
London	10	50	Urumqi	10	50						
Los Angeles	10	50	Yokohama	10	50						
Manila	10	50									
Medan	10	50									
Moscow	10	50									
Nairobi	10	50									

Readings at mid-day yesterday.

C-Century D-Degrees F-Fahrenheit P-Precipitation S-Snow T-Temperature

## Is your bank between you and a hole in one?

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## SECTION II - INTERNATIONAL COMPANIES

# FINANCIAL TIMES

Tuesday February 26 1985

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### Toshiba may buy stake in Sord

By Jurek Martin in Tokyo

TOSHIBA, the Japanese electronics concern, may acquire a majority interest in Sord Computer, the troubled, privately owned software and hardware personal computer company.

Neither company would comment and both said a formal announcement would have to wait until later this week. It seems increasingly obvious, however, that Sord's survival rests on it becoming a fully fledged subsidiary of Toshiba.

The most likely device, according to informed sources, would be for Toshiba to inject approximately £2.4bn (\$3.1bn) into Sord. This would give Toshiba about 48 per cent of Sord's new capital base of £5bn.

Majority ownership could result by Toshiba simply acquiring some of the existing private shares. There were persistent reports in Tokyo market circles yesterday of Sord shareholders—some foreign venture capitalists—trying to unload their stock.

Mr Takayoshi Shiina, the founder and charismatic head of Sord, would probably be retained, but Toshiba would send in a cadre of middle-to-upper management staff to run Sord's finances, administration and manufacturing facilities. Sord's share of the personal computer market in Japan has dropped from nearly 20 per cent two to three years ago to about 4 per cent. Its problems in meeting the competition and price cutting of the major computer companies, including IBM, NEC, and Fujitsu, have been compounded by unreliable supplies of integrated circuits and poor sales and service networks.

Toshiba can presumably fill these gaps (it makes its own integrated circuits). It is also being suggested that acquiring a once glamorous, high-flying concern like Sord would improve Toshiba's rather stuffy image.

### FINANCIAL TROUBLES DEEPEN AT TENTH CREDIT AND CATHAY PLASTICS

## Taiwan arrests 10 executives

BY BOB KING IN TAIPEI

THE TAIWAN authorities have arrested 10 senior executives from the Tenth Credit Co-operative and Cathay Plastics Corporation in connection with financial problems at the two related companies.

Tsai Chen-Chou, the head of both companies, last night appeared on television to pledge some of his personal wealth to cover claims against Cathay Plastics.

Although the Chinese new year holidays brought a temporary respite to Cathay Plastics and Tenth Credit, whose financial troubles over the past two weeks have severely shaken confidence in Taiwan's financial system, the two companies' troubles are far from resolved.

Creditors of Cathay Plastics, one of about 100 companies that fall under the mantle of the huge Cathay Group, threatened to spend the holidays at the home of Tsai unless they were paid.

Estimates place Cathay Plastics' debts at more than NT\$10bn (U.S.\$250m) and although the Government has taken a stand behind Tenth Credit, bankers fear that further allegations of irregularities could undermine confidence in other Cathay group companies.

The Government has charged Tenth Credit with lending more than the 78 per cent of assets allowed by law. It ordered the bank to cease lending operations for three days, which started a run that ended only when a government-owned bank assumed Tenth Credit's liabilities and took over its management.

Taiwanese newspapers quoted the Government as saying that Cathay Plastics executives had obtained the identification cards and chops (personal seals) of Cathay employees under the pretext of opening accounts for them at Tenth Credit, then used the employees' names to obtain loans to finance the operations of Cathay group companies.

Even low-level office workers found themselves suddenly in debt for substantial amounts as a result. Panic spread as far as Cathay Investment and Trust Corp, owned by Tsai's brother.

A Finance Ministry official said privately that the Government had planned to move against the bank after the new year holidays. "But events moved too fast," he said. The Government subsequently suspended seven top officials of the bank — one of who was discovered to have already fled the country — but left Tsai in place.

Whatever the outcome, the case is a clear illustration of the problems that have been plaguing Taiwanese companies and financiers for the past two years. Foreign bankers have an accumulated \$452m in problem loans over that period. Their exposure at Cathay Plastics adds another \$15m to that figure, and bankers said that dubious loans to other firms could bring the total close to U.S.\$600m — or more than 1 per cent of Taiwan's gross national product last year.

The case also points out severe shortcomings in Taiwan's finance and business environment. Most of the \$452m in problem loans suffered by the foreign banks came from supposedly sound firms.

Subsequent investigations often turned up evidence of financial misreporting, non-existent or worthless assets, unreported obligations and guarantees, overstated turnover and earnings.

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### Esab hit by heavy regrouping costs

By David Brown in Stockholm

ESAB, the Swedish welding equipment group, said heavy restructuring costs held back the 1984 results, but forecast a "significant improvement" this year.

Last year the group recorded pre-tax profits of SKr 140m, a drop of SKr 11. Turnover rose by 22 per cent to SKr 3,070m, and the operating result after depreciation was up by 17 per cent to SKr 232m.

The group also said yesterday that it would issue 345,500 shares worth SKr 100m (\$10.7m) to pay for the welding activities of Philips of the Netherlands.

Esab has been actively buying market shares through acquisitions over the past several years, and now claims to control about 25 per cent of the European welding market. Mr Bengt Ekblom, the managing director, says Esab's acquisition phase is now over and efforts will increase to produce greater concentration.

### One-off sale may put Braniff into the black in fourth quarter

DALLAS — Braniff, the U.S. airline which emerged from Chapter 11 bankruptcy proceedings in March 1984, will report a loss for the year ended January 31, but expects to report its first profit from operations in the current quarter.

Mr Ron Ridgeway, president, declined to disclose the amount of the annual loss but said that Braniff would report net income for the fourth quarter because of a previously reported sale of leases on nine gates at the Dallas-Fort Worth airport to American Airlines for \$20.5m. Without that sale, he said, the carrier would have posted a loss for the quarter.

For the nine months ended October 31, Braniff posted a net loss of \$81.9m on revenue of £170.6m.

Mr Ridgeway said: "On an operating basis, we have dramatically stemmed our losses since last October." He said that Braniff's advance booking inventory "exceeds our best month last summer," when

Braniff flew 30 aircraft from its Dallas-Fort Worth hub. The airline has pared its service in recent months and now operates only 12 aircraft from that airport.

Mr Ridgeway said that for January, the airline's load factor, or the percentage of available seats filled, was 63 per cent, which is about what it needs to break even. February results, he said, exceeded the break-even point. He declined to give a specific earnings estimate for the first quarter ending April 30.

Since emerging from Chapter 11 the airline has gone through several major changes. It has scaled down its operations significantly, reducing its fleet from 30 aircraft to 20. It has cut its staff from 2,100 employees to about 1,100, and since last October, when Mr Ridgeway became president, most of the carrier's previous management team has left.

AP-DJ

### SGS share issue to raise SwFr 75m

By Our Financial Staff

SGS, the Swiss quality control and risk management group, plans to raise SwFr 75.2m (\$28.4m) through a share issue.

The company, which recently elected to its board Herr Fritz Leutwiler, the former head of the Swiss national bank, is to issue 20,000 registered shares at SwFr 3,760 each. This will be the first time that SGS has issued registered shares. The offer is open to the public until March 6.

SGS is a world leader in the inspection of goods in transit, notably in areas like industrial and consumer goods and agricultural products.

The new shares, eligible for dividends from January 1 this year, are expected to be listed on the Geneva bourse soon and on the Zurich bourse in June.

### Georgia bank acquires Landmark of Florida

BY WILLIAM HALL IN NEW YORK

CITIZENS & Southern Georgia, the biggest bank in Georgia, has agreed to buy Landmark Banking Corporation, Florida's fifth biggest bank, for about \$500m.

The deal, which will create the fourth biggest banking group in south-east America with assets of close to \$12bn, was first announced last week but was delayed because of difficulties in reaching agreement on some accounting issues.

Citizens & Southern is exchanging 0.22 of each of its shares for each Landmark share, which will involve the issue of 19.7m new C&S shares. These were valued at \$22.75 on February 15, putting a stock market value of \$445m on the deal. In addition, C&S is buying Landmark's preferred stock for \$65m in cash. Since the deal was announced C&S shares have fallen and yesterday morning were trading at \$20.5.

The transaction gives a useful clue to the premiums which are being paid in takeovers in the fast growing south-eastern banking market. Before the decline in the C&S share price, the deal valued Landmark at \$21 a share, about twice its book value of \$10.50 a share. In 1984 it reported fully diluted earnings of \$1.26 a share, which implies an exit multiple of 15.2.

Assuming that the deal wins the various regulatory and shareholder approvals, the new banking group will have a stock market capitalisation of \$1.1bn and almost 300 offices in Georgia and Florida. The North Carolina-based NCNB continues to be the biggest bank in the region, followed by the proposed merger of Sun Banks and Trust Company of Georgia, and then Barnett Banks of Florida.

### Castle & Cooke fails to pay interest on debt

By Our New York Staff

CASTLE & COOKE, the financially troubled food products and real estate concern which is trying to reschedule \$250m of its debts, has defaulted in some of its principal and interest payments.

The San Francisco-based company said yesterday that certain of its private unsecured lenders had notified the trustees under the indentures governing the company's public 5% per cent convertible subordinated debentures, due 1994, and 12 per cent subordinated notes, due 1991, that the company had failed to pay principal or interest when it fell due on those debts.

Castle & Cooke is requesting waivers to allow the payment of interest on its public subordinated debt, which currently stands at around \$100m.

### Dornier says it 'will not sell'

By John Wicks in Zurich

DORNIER, the West German aerospace concern, does not intend accepting a takeover offer although interest has been shown by companies including Daimler-Benz and United Technologies.

Mr Justus Dornier, who with two family members holds a majority stake in the group, said in Zurich yesterday: "We are not selling."

Another brother, Mr Claudius Dornier, is understood to be interested in selling his 12.8 per cent stake. The Justus Dornier faction has said, however, that it is seeking "to keep these shares close to the existing company."

### Abitibi offers C\$53m for envelope producer

BY BERNARD SIMON IN TORONTO

ABITIBI-PRICE, the Canadian forest products group, is extending its downstream activities by offering to buy for C\$53m (U.S.\$39.25m) Barbecoon, the country's largest envelope manufacturer and distributor of printing papers.

Barbecoon reported earnings of C\$5.5m in 1984 on sales of C\$213m.

Abitibi, the world's largest newsprint producer, is actively lowering its dependence on raw materials. In the past five years it has significantly reduced exposure to the depressed lumber industry and extended its interest in higher value-added paper products.

The contribution of paper converting and distribution and fine paper manufacturing to Abitibi's sales rose to 27 per cent last year from 25 per cent in 1983. Earlier this month the company bought CIP Dexion, a Canadian supplier of paper packaging products to hospitals, hotels and the fast food industry. The company last year bought control of a Chicago-based paper distributor to give it a foothold in the U.S. market.

Abitibi's earnings advanced by 84 per cent last year to C\$70.1m on sales of C\$2.1bn. Higher profits from fine paper manufacturing and groundwood papers contributed to the improvement.

This advertisement complies with the requirements of the Council of The Stock Exchange



U.S.\$100,000,000

**Bankers Trust New York Corporation**  
(Incorporated in the State of New York, U.S.A.)

11 1/2 per cent Notes Due 1990

Issue price of 99 3/4%

The following have agreed to purchase the Notes:

Bankers Trust International Limited

Morgan Stanley International

Union Bank of Switzerland (Securities) Limited

Banque Bruxelles Lambert S.A.

Crédit Commercial de France

Credit Suisse First Boston Limited

Deutsche Bank Aktiengesellschaft

Goldman Sachs International Corp.

IBJ International Limited

Kidder, Peabody International Limited

Lehman Brothers International, Inc.

Merrill Lynch Capital Markets

Salomon Brothers International Limited

Société Générale

Swiss Bank Corporation International Limited

S. G. Warburg & Co. Ltd.

Yamaichi International (Europe) Limited

Application has been made for the Notes, in denomination of U.S.\$5,000, constituting the above issue, to be admitted to the Official List of The Stock Exchange, subject only to the issue of the temporary global note.

Interest will be payable annually in March, the first such payment being due in March, 1986. Particulars relating to Bankers Trust New York Corporation and the Notes are available from Exel Statistical Services Limited. Copies of the listing particulars relating to the Notes have been published in the form of an Exel Card and may be obtained during normal business hours up to and including 28th February, 1985 from the Company Announcements Office of The Stock Exchange and up to and including 11th March, 1985 from:

Bankers Trust Company  
Dashwood House  
69, Old Broad Street  
London EC2P 2EE

Cazenove & Co.  
12 Tokenhouse Yard  
London EC2R 7AN

25th February, 1985

This announcement appears as a matter of record only.

**PIRELLI**

US \$75,000,000

Note Issue Programme and Back-Stop Facility

Issuer

**PIRELLI FINANCIAL SERVICES COMPANY N.V.**

Guarantor

**PIRELLI SOCIETE GENERALE S.A.**

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**CITICORP CAPITAL MARKETS GROUP**

Lead Managers

THE BANK OF NOVA SCOTIA GROUP

BANQUE DE LA SOCIETE FINANCIERE EUROPEENNE

BANQUE INDOSUEZ

CITICORP CAPITAL MARKETS GROUP

THE FUJI BANK, LIMITED

ISTITUTO BANCARIO SAN PAOLO DI TORINO

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THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED

KREDIETBANK INTERNATIONAL GROUP

ItaB GROUP LIMITED

PRIVATbanken LIMITED

Tender Panel Members

THE BANK OF NOVA SCOTIA

BANQUE DE LA SOCIETE FINANCIERE EUROPEENNE

BANQUE INDOSUEZ

CITICORP INTERNATIONAL BANK LIMITED

CREDIT SUISSE FIRST BOSTON LIMITED

GOLDMAN SACHS INTERNATIONAL CORP.

ISTITUTO BANCARIO SAN PAOLO DI TORINO

ItaB GROUP LIMITED

KREDIETBANK S.A. LUXEMBOURGEOISE

LTCB INTERNATIONAL LIMITED

MORGAN STANLEY INTERNATIONAL

NOMURA INTERNATIONAL LIMITED

PRIVATbanken LIMITED

S.G. WARBURG & CO. LTD.

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THE BANK OF NOVA SCOTIA CHANNEL ISLANDS LIMITED

BANQUE DE LA SOCIETE FINANCIERE EUROPEENNE

BANQUE INDOSUEZ

CITIBANK (CHANNEL ISLANDS) LIMITED

THE FUJI BANK, LIMITED

ISTITUTO BANCARIO SAN PAOLO DI TORINO

ÖSTERREICHISCHE LÄNDERBANK A.G.

THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED

KREDIETBANK S.A. LUXEMBOURGEOISE

ItaB GROUP LIMITED

PRIVATbanken LIMITED

CITICORP

INTERNATIONAL BANK LIMITED

Agent



January 1985



## CONTRACTS

## Bahamas orders of \$4.3m for Rush &amp; Tompkins

RUSH & TOMPKINS INTERNATIONAL has won two government contracts in the Bahamas worth \$4.3m (£4m). The largest is for new customs and immigration facilities at Nassau International Airport. Valued at \$2.8m (£2.5m), the project includes construction of a 56,000 sq ft single-storey steel frame building containing offices, an immigration hall, baggage facilities and toilets. Work is to be completed in early 1986. Rush & Tompkins has also won a \$451,430 (£410,390) contract to build a 10,000 sq ft extension to Fresh Creek Primary School in Andros. Both contracts are being undertaken in joint venture with Guarantee Builders of Nassau.

HAVE BOROUGH COUNCIL has awarded CORALLI CONSTRUCTION a further management fee contract worth £974,000 for the modernisation of 100 houses at the South Foreland Housing Estate, Dover. Under the contract Coralli is responsible for the design and implementation of the scheme, which offers tenants in the contract for extensive temporary work to lessen the inconvenience to travellers while lifts are out of service.

The management contracting division of TAYLOR WOODROW CONSTRUCTION has been awarded a contract worth £3.5m by London Regional Transport for the replacement of passenger lifts at Covent Garden, Holland Park and Belsize Park underground stations. All three stations will remain open throughout the project, and provision has been made in the contract for extensive temporary work to lessen the inconvenience to travellers while lifts are out of service.

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## N. American quarterly results

FRUMERSON CORP. Trucks, trailers and auto parts			
Fourth quarter	1984	1983	
Revenue	\$78.5m	\$62.2m	
Net profit	\$2.2m	\$1.5m	
Net per share	1.14	0.97	
12 months			
Revenue	\$289m	\$216m	
Net profit	\$8.5m	\$4.4m	
Net per share	4.31	0.27	

DAVIDSON Heavy trucks and trailers			
Fourth quarter	1984	1983	
Revenue	\$54.5m	\$58.5m	
Net profit	\$7.2m	\$3.2m	
Net per share	1.21	1.19	
12 months			
Revenue	\$230m	\$215m	
Net profit	\$8.3m	\$4.5m	
Net per share	1.16	0.73	

LOGAN COMPANIES Retailing			
Fourth quarter	1984	1983	
Revenue	\$1.98m	\$1.44m	
Op. net profit	\$0.7m	\$0.5m	
Op. net per share	0.45	0.44	

JAMES RIVER Special papers manufacturer			
Third quarter	1984-85	1983-84	
Revenue	\$58.6m	\$58.7m	
Net profit	\$4.3m	\$3.7m	
Net per share	0.42	0.37	
12 months			
Revenue	\$154m	\$142m	
Net profit	\$7.3m	\$5.8m	
Net per share	2.09	2.32	

REVLON Cosmetics			
Fourth quarter	1984	1983	
Revenue	\$33.2m	\$34.2m	
Net profit	\$2.2m	\$2.2m	
Net per share	0.07	0.07	
12 months			
Revenue	\$121m	\$112m	
Net profit	\$7.5m	\$7.5m	
Net per share	2.85	2.81	

SQUIBB Drugs, chemicals			
Fourth quarter	1984	1983	
Revenue	\$22.7m	\$22.7m	
Net profit	\$4.5m	\$4.5m	
Net per share	0.53	0.51	
12 months			
Revenue	\$88m	\$88m	
Net profit	\$18m	\$17m	
Net per share	2.05	2.20	

TEXAS AIR Airlines			
Fourth quarter	1984	1983	
Revenue	\$86.2m	\$86.2m	
Net profit	\$1.1m	\$1.1m	
Net per share	0.62	0.62	
12 months			
Revenue	\$342m	\$342m	
Net profit	\$4.5m	\$4.5m	
Net per share	2.85	2.81	

UNION PACIFIC Trucks			
Fourth quarter	1984	1983	
Revenue	\$16.5m	\$16.5m	
Op. net profit	\$0.4m	\$0.4m	
Op. net per share	0.44	0.39	
12 months			
Revenue	\$62m	\$62m	
Op. net profit	\$1.5m	\$1.5m	
Op. net per share	2.81	2.34	

VFC CORP. Clothing			
Fourth quarter	1984	1983	
Revenue	\$34.4m	\$27.1m	
Net profit	\$1.3m	\$1.3m	
Net per share	1.01	0.91	
12 months			
Revenue	\$135m	\$104m	
Net profit	\$4.5m	\$3.5m	
Net per share	2.93	2.29	

WASTE MANAGEMENT Largest U.S. waste disposal group			
Fourth quarter	1984	1983	
Revenue	\$67.2m	\$74.4m	
Net profit	\$0.2m	\$0.2m	
Net per share	0.00	0.00	
12 months			
Revenue	\$265m	\$265m	
Net profit	\$1.5m	\$1.5m	
Net per share	1.25	1.01	

WENDY'S INTERNATIONAL Fast-food restaurants			
Fourth quarter	1984	1983	
Revenue	\$20.0m	\$20.0m	
Net profit	\$1.7m	\$1.7m	
Net per share	0.32	0.32	
12 months			
Revenue	\$84.5m	\$70.0m	
Net profit	\$6.7m	\$5.8m	
Net per share	1.25	1.01	

## Pao counter-ploy in Wheelock fight

BY DAVID DODWELL IN HONG KONG

SIR YUE-KONG PAO, the Hong Kong-based shipping and property billionaire, has moved back on to the offensive in the take-over contest for Wheelock Marden, the trading, shipping and property group—not with an increased offer for Wheelock itself, but with HK\$22m (US\$14m) bid for Allied Investors, a quoted associate.

The main incentive for making the offer is Allied's 6.8 per cent shareholding in Wheelock—a stake that may have a critical bearing on the outcome of what has developed into one of the most intriguing bid battles ever to be staged in Hong Kong.

However, the offer has been clothed in numerous conditions, prompting many local analysts to question whether or not it was a red herring.

Sir Y. K. had no time after the enforced truce of the Chinese New Year celebrations for responding to a HK\$230m cash offer for Wheelock made a week ago from Tan Sri Khoo Teck Puat, the similarly wealthy

Singapore-based financier. Sir Y. K. has a company set up in Hong Kong in order to make the bid.

In the six days before the festive began, the two men crossed swords in an auction which lifted the value of the long-suffering Wheelock group from HK\$1.8m to HK\$2.36m.

Since bidding began, Tan Sri Khoo has captured control of shares amounting to about 25 per cent of the voting control in Wheelock. Sir Y. K. has control of just under 35 per cent. With no other substantial share stakes still available in the market, the Allied stake could make Sir Y. K. virtually impregnable if his bid for the company were to succeed.

At the moment we still have the best offer on the table for Wheelock. We see no reason to the contrary except what Sir Y. K. has said next move.

Sir Y. K. bidding through the Hongkong and Kowloon Wharf

## Volkswagen raises sales to DM 46bn

By John Davies in Frankfurt

VOLKSWAGEN, West Germany's biggest car manufacturer, increased worldwide sales by 14 per cent to DM 45.7bn (\$15.2bn) last year, despite the labour conflict in the motor vehicle industry.

VW reiterated in a preliminary report yesterday that it would show a group profit for last year after losses totalling DM 515m in the previous two years. It gave no indication of whether it would resume a dividend.

The company, which is 20 per cent owned by the Federal Government and 20 per cent by the government of Lower Saxony, last paid a dividend of DM 5 per share on its 1981 results, when it made group net profits of DM 136m.

The rise in revenue last year reflected an increase in exports, especially in the U.S., with the strong dollar boosting receipts in D-mark terms. But the rise also comes from a market trend towards higher-priced models.

Despite disruption to production during the dispute in May and June, VW and its Audi subsidiary produced 2,149m vehicles last year, 1.5 per cent more than in 1983.

## Landis sees further progress

By John Wicks in Zurich

LANDIS and Gyr, the Swiss electrical engineering group which increased profits by more than a quarter last year, expects further improvements in sales and earnings for 1985.

Turnover this year is forecast to show a marked increase and the company is aiming for a considerably higher return on capital. It made just under 7 per cent in 1984.

The group has already announced a 13.1 per cent rise in new orders during 1984. Turnover rose by 7.5 per cent to SwFr 1.33bn (\$466m) in the year and group profits by 27 per cent to SwFr 61m.

Landis and Sprecher & Schuh, another Swiss electrical engineering, are to give up their shareholdings in one another. Landis has held 10 per cent in Sprecher since 1978, while Sprecher owns rather less than 2 per cent of Landis.

Landis also intends not to expand its 36 per cent stake in the Swiss company Sauter but might be prepared to sell its shareholding if a "good buyer" were found.

As a result of the reorganisation, Mr. Sultan Ali Al Owais, who heads the National Bank of Dubai, has become chairman of Dubai Bank and five of the original 10 directors have been removed from the board. The overall size of the board has also been reduced to eight.

Emerging from the board

## Pre-tax profits up 34% at UEP

BY WONG SULONG IN KUALA LUMPUR

UNITED ESTATES Projects, a leading Malaysian property developer, has reported a 34 per cent rise in pre-tax profits to 58.4m ringgit (US\$3.3m) for 1984, exceeding its forecast of a profit of 54m ringgit.

Despite a depressed property market, after-tax profits were 40 per cent higher at 30.4m ringgit and the company also made an extraordinary gain of 18.6m ringgit from the sale of the Hotel View to the Faber Marlin group. Turnover rose by 28 per cent to 152m ringgit.

While most property companies faced sluggish demand, UEP housing projects sold well due to attractive designs, pricing and locations, the company said.

UEP is now 47 per cent owned by Sime Darby, the plantation-based group, which recently made a share exchange offer to UEP shareholders.

Sime said it intends to build up its stake to over 50 per cent.

Malaysian Tobacco Company, the 62 per cent-owned subsidiary of BAT Industries of the UK has purchased a 35 per cent stake in Arab Malaysian Insurance, the insurance subsidiary of Arab Malaysian Merchant Bank.

Mr. Alexander Christodolou, the chairman of MTC, said the company paid "about 10m ringgit" (US\$4m) for the stake. He said it was natural for MTC to be looking to the insurance industry for expansion opportunities.

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## Increased earnings for RMB

BY JIM JONES IN JOHANNESBURG

RAND MERCHANT BANK (RMB), the privately-owned South African banking company, has disclosed an increased taxed profit of R2m (\$0.97m) after transfer to the director of Rembrandt, the tobacco, liquor and industrial conglomerate founded by his father Anton Rupert. RMB plans to obtain listing on the Johannesburg stock exchange within three years.

Kirsh Trading, the South African supermarket and retailing group, has acquired the outstanding 70 per cent of Dion Stores, the retail discount chain, that it does not already own. The cost of the acquisition has not been disclosed but will largely be settled by the issue of Kirsh shares and a small cash consideration.

Mr. Dion Friendland, Dion's chairman and erstwhile controlling shareholder, says that sale of his controlling interest became necessary after Dion suffered a R143m foreign exchange loss in 1984. Dion has also suffered a sales drop since the introduction of austerity measures and higher sales taxes last year.

The merchant bank's liquidity is to be restored by selling unencumbered properties worth about R20m to Sanlam on a "leaseback" basis. Sanlam, which is South Africa's second largest insurance group, owns 49 per cent of Kirsh Industries, the unquoted holding company which controls Kirsh Trading.

Dion's sales figures are not disclosed but are consolidated in those of Kirsh. Trading, which reported a turnover of R2.8bn for the year to June 30 1984.

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## UK COMPANY NEWS

## McAlpine hopes minerals will help growth continue

THE CURRENT year at Alfred McAlpine, formerly Marchmont, marks the fiftieth anniversary of the founding of the group, and following a rise in pre-tax profits for the year to the end of October 1984, Mr A. J. McAlpine, retiring chairman, says he hopes that results for the coming year will "continue to reflect some growth".

He says that prospects for non-contracting divisions are good for the current year, but the directors are looking to the minerals division for a "really strong performance" to ensure continued profit growth. Their concern is how the rand will perform against sterling, which makes accurate prediction of a sterling profit difficult.

For the year under review pre-tax profits increased from £19.52m to £22.64m, which Mr McAlpine points out is for a record for the group. The final dividend has been lifted from 6p to 7.5p, which raises the total from 9p to 11p. Net earnings per share are shown rising by 12.4p to 45.4p.

He is pleased that profits were achieved against a background of government policies at home designed to reduce, rather than stimulate, public capital spending, and overseas, a world construction recession which is, if anything, worse than a year ago. He points out that results reflect the continued progress of more recently acquired activities.

● **comment**  
The unexpectedly low tax charge

The taxable figure was struck after £2.2m (£518,000) profit on disposal of fixed assets and £3.36m (£844m) income from shares in related companies.

Group turnover moved ahead by £38.8m to £240.09m.

The construction division did "extremely well" last year to hold its profit margins at their present level, says Mr McAlpine, but he cannot see much real progress for this division in the immediate future.

Mr McAlpine says that he intends to retire at the end of the current financial year and that he will be succeeded by Mr Bobby McAlpine. Mr Frank Sanderson, who brought Filias into the group, is resigning and Mr Oswald Edge is retiring.

At the year end shareholders' funds stood at £78m and net liquid resources at £31m. Net asset value was the same again at 215p.

Minerals had a good year, says Mr McAlpine, both at home and overseas, and Optimum Collieries continue to show good profit growth as its export production increases. The division has recently bought a small sand and gravel operation in Alabama.

Although the construction division has a far higher UK forward workload, margins are under continual pressure.

## Broker urges change in relationship

CHANGES IN the relationship between the Bank of England, the UK banks and their auditors are called for in a report today by Grieson Grant, the stock-broker firm.

Mr Tim Clarke, the broker's banking analyst, says that problems of accounting for Latin American debt, and the recent Johnson Matthey Bankers crisis have created uncertainty over bank shares in the stock market.

Mr Clarke says:

● The Bank and auditors should be freed of the constraints, by changes in the law if necessary, which currently prevent them from communicating with each other.

● There should be a more concerted approach by the Bank and auditors to the question of making provisions against doubtful Latin American loans.

● Auditors might do more work on behalf of the Bank, for a fee.

Mr Clarke adds: Until bankers ally investors' concerns over the quality of the banks' profits and dividends, the clearers will probably continue to yield 40 per cent more than the market."

The Bank... banks and auditors by Tim Clarke.

## Microvitec slows in second half

DESPITE PUSHING its turnover up by £5.19m to £14.81m over the 1984 year Microvitec, market leader for colour display monitors for computers, only managed to lift its pre-tax profits from £2.51m to £2.64m. First half profits reached £1.52m.

However, the group's order book is the strongest in its history and the directors anticipate further growth this year with a more satisfactory increase in profitability.

They point out that Microvitec faces 1985 with competitively priced products addressing growth markets and with a broad range of customers.

A number of factors were behind the shortfall in profitability. Among these was the group's inability to increase production towards the end of the year in order to satisfy the outstanding order book.

This was because it underestimated the product support required to deal with the increased variety and complexity of the products manufactured.

The required increase in production of micro-colour graphics terminals did not materialise in the fourth quarter and the subsidiary concerned did not contribute to the group's overall results.

Another factor blamed for the shortfall was the decision to improve the group's support to U.S. customers with the setting up of Microvitec Inc in October which

was earlier than originally anticipated.

Initial expenditure, including exhibition costs and losses to year-end, amounted to some £120,000.

The directors also point out that although demand for higher specification products continues to increase the trend during 1984 was lower than anticipated, particularly during the third quarter. In addition, price reductions during the second 13 weeks were not balanced by increased sales.

No further price reductions are scheduled and Microvitec believes the current price structure will allow it to sell competitively throughout the world.

Finally, higher-than-forecast costs were expected in raw material prices and overheads and the failure to meet planned levels of production led to higher raw material stockholding costs.

As forecast at the time of the share placing on the USM in May last year a dividend of 0.75p is being paid. Earnings per 5p share emerged at 5.3p (5.5p) after a tax charge of £1.25m (£1.11m).

Sales in the UK to specialist independent dealers more than doubled and the group retained its leadership in the educational market. This sector is expected to remain firm but the proportion of output taken by the educational market is expected to decline as the group grows.

Export sales grew from £95,000 to £1m and Microvitec sees this

## Institutions buy 14% of Japanese robot maker

SIX BRITISH investment advisory groups have purchased 160,000 shares, 14.3 per cent of those issued, of Daiichi Kiko, a leading Japanese robot manufacturer, for ¥4.36bn (£15.4m).

Daiichi Kiko has been expanding rapidly in the UK, having set up a joint venture, Daiichi-Sykes, with the Sykes group in 1981. Daiichi-Sykes, in turn, is involved in major robotic development projects with Jaguar cars and Rank Xerox.

The institutions are Baring International Investment Management (40,000 shares), Royal Bank of Scotland, representing Baillie, Gifford (30,000 shares), Phillips & Drew, Foreign and Colonial Group, GT Management Group and Ivory & Sims (20,000 shares each).

The funds are to be used to finance development projects. Last June, Daiichi raised ¥4.7bn from a placing with Japanese institutions. Baring and Daiichi Mutual Life Insurance are now the two largest shareholders in the company. Prudential-Bache Securities was the agent for the latest placing.

## MINING NEWS

## Strong dollar aids gold ventures

BY KENNETH MARSTON, MINING EDITOR

WHILE gold remains out of fashion on the bullion market, it is still a prime exploration target for the mining companies. Nearly all existing mines can earn profits at the current gold price level, especially in countries where the domestic currency is particularly weak against the U.S. dollar.

Enxet International, the Northgate group's recently floated exploration company, is thus particularly encouraged by the finding of good gold values in Scotland, even though Enxet is still a long way from having outlined a mineable deposit.

Economic gold values have been obtained in three of five locations examined by stream-panning, soil geochemistry, trenching and channel-sampling in the Grampian mountains between Oban and Pitlochry.

## COMPANY NEWS IN BRIEF

**Interim taxable profits** rose from £602,634 to £880,077 at Walsingham, the manufacturer of optical, electronic, instrumentation and industrial safety equipment.

In view of the improved result, the directors have declared a dividend of 0.9p net per 5p share in respect of the period to September 30 1984, compared to an equivalent 0.825p last time. The total then came to 2.745p adjusted for a share subdivision. Earnings for the half year are shown at 3.3p (2.8p).

Turnover more than doubled, from £24.4m to £71.3m. The tax charge increased from £225,988 to £376,583, and there were extraordinary debits of £22,927 (£18,562). The dividend will account for £184,735 (£140,736).

**Padang Senang Holdings**, a rubber and oil palm producer, reports an upturn from £134,000 to £245,000 in taxable profits for the year to September 30 1984. The result is reflected in a dividend doubled from 0.7p to 1.4p for the year.

Gross profit rose 88 per cent from £214,000 to £389,000. Taxable profit was struck after distribution costs of £100,000 (£75,000), administration costs £38,000 (£47,000), and crediting income from fixed asset investment £45,000 (£31,000). Interest received £17,000 (£10,000).

Net profit came out at £115,000 (£81,000) after tax of

**£190,000** (£75,000). There was an extraordinary debit of £2,000 (£30,000) representing Malaysianisation costs, and an attributable profit of £113,000 (£29,000). Earnings per 10p share moved up from 1.24p to 2.32p.

**Profits before tax** of Apex Properties rose from £273,597 to £294,688 in the six months to September 30, 1984, after taking in interest receivable of £18,618 this time.

Rents receivable moved ahead from £551,675 to £556,268—the group is engaged in property investment and development.

Net profits came through at £162,243 (£131,327) after tax of £132,745 (£142,470). Earnings per 10p stock unit totalled 1.1p (1.22p).

**Extraordinary items** added £45,000. The interim dividend is a same-again 0.7p net.

**William Jackson & Son**, baker, confectioner, meat product manufacturer, and food market operator, produced a higher taxable result of £880,000, against £610,000, for the 26 months to October 27 1984. Turnover amounted to £74.4m, compared with £75.08m.

The company expects the improvement to continue and says that it is now receiving benefits from bread plant at the Stockton Bakery, which is fully operational, and

THE last year was one of significant progress. Although total turnover is down from £655.2m to £528.8m, there is included in 1983 £186m in respect of activities sold or reclassified. The continuing businesses showed an increase in sales from £469.2m to £528.8m and an increase in profit after interest from £12.9m to £33.0m.

After tax, taking account of the reclassification of Comsteel Vickers as an associate company and extraordinary items, stockholders' profit rose from £3.9m to £16.4m.

It is encouraging to note that increased financial strength, particularly reduced borrowings, provides 'headroom' for investment in the businesses. In the drive to reduce costs and improve quality, the Company continues to invest in manufacturing resources. Similarly, emphasis is placed on research and development, to ensure improved product specification and profitability.

Overseas markets continue to be developed. A high level of exports has been sustained and much progress made on strengthening overseas manufacturing and licensing agreements.

It is believed that the Company has now made a sound recovery from the difficulties of the early 1980s and should see a steadier and more prosperous future.

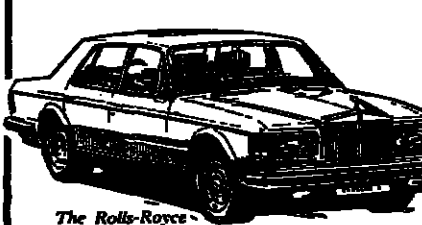
The Board is recommending a final dividend of 6.0p per £1 Ordinary Stock, making a total of 10.0p for the year, all net of tax credit, compared to a total of 8.00p for 1983.

## MOTOR CARS

Sales £149.2m (£106.8m)  
Profit before interest £14.1m (£1.1m)

Rolls-Royce Motors reduced costs, increased production and strengthened marketing operations to achieve a significant profit recovery in 1984.

Retail sales matched production and export demand accounted for 74% of turnover. The USA remained the largest single market with a further increase in sales.



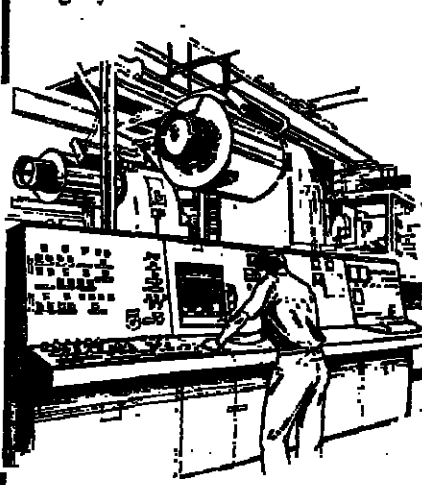
The Rolls-Royce Silver Spirit

Following the launch of the Bentley Eight, further activity is planned to develop the different identities of the Rolls-Royce and Bentley ranges. The Company's strong commitment to research, development and product engineering is planned to increase substantially in 1985.

## LITHOGRAPHIC PRINTING PLATES &amp; SUPPLIES

Sales £104.8m (£90.2m)  
Profit before interest £10.2m (£10.4m)

Howson-Algraphy sales showed satisfactory volume growth in 1984 but margins were squeezed and profits slightly reduced.



Lithographic printing plate production

Over 70% of sales were to customers outside the U.K. The company experienced significant uplifts in raw material costs, but intense competitive

## Vickers in 1984

## A YEAR OF GOOD PROGRESS AND CONSIDERABLE IMPROVEMENT IN PROFIT

pressure restricted the scope for price increases. However, it was possible partially to offset this cost pressure through improved manufacturing efficiency.

A fourth production line was completed on schedule and the company is well placed to make significant progress in 1985.

## DEFENCE AND AEROSPACE

Sales £69.2m (£63.9m)  
Profit before interest £7.3m (£5.4m)

Defence Systems Division has completed delivery to Nigeria of tanks under its first contract, with shipment for a second contract due to commence in 1985.

Collaborative agreements now form a significant part of the Division's activities.

In the Far East, the Vickers Valkyr armoured personnel carrier exceeded expectation during arduous user trials.

BAJ Vickers, manufacturers of rocket motor casings, had another successful year.



Vickers Valkyr armoured personnel carrier

Precision Components Division, makers of gas turbine components, increased volume, particularly exports. Operating difficulties in the first half adversely affected performance but major new customers were gained towards the end of the year.

## MARINE ENGINEERING

Sales £63.2m (£50.6m)  
Profit before interest £6.0m (£4.5m)

During 1984 the Division consolidated and strengthened its position and achieved another record year. Brown Brothers and Vickers Marine Controls received a major order for stabilisers and steering gear for the Royal Navy's Type 23 Frigate. Brown Brothers also secured a further order for stabilisers from the U.S. Navy.

Michell Bearings experienced a good recovery in profits and

Jered Brown Brothers, manufacturers of steering gear and elevator systems, made a major contribution.

In the offshore field, Brown Brothers introduced its new crown mounted compensator. John Hastie of Greenock completed pre-production work on its new orbital crane. Stone Vickers sold thrusters to Japanese semi-submersible builders and marine terminal specialists. SOFEC, strengthened its position in the Far East.

**BUSINESS EQUIPMENT**

Sales £60.8m (£59.4m)  
Profit before interest £2.7m (£3.4m)

Trading conditions were difficult in France in 1984 and the two companies in that market were merged to rationalise production and distribution.

**DESIGN & PROJECTS**

Sales £13.6m (£25.9m)  
Profit before interest £0.5m (£0.8m)

The Division successfully completed a number of major projects, including the contract for key components for the Conoco Tension Leg Platform, test rigs for gas turbine components, dynamometers for overseas customers and a ship model towing carriage for the Admiralty.

**OTHER ACTIVITIES**

Sales £12.7m (£11.3m)  
Loss before interest £3.6m (£2.2m)

The main business interest under this heading, Kearney & Trecker Marwin, experienced a difficult year in common with the rest of the machine tool industry. However, significant orders were secured and through a recent licence agreement KTM is well placed to develop sales in Europe.

In the U.K., Vickers Furniture again improved trading performance and the System E range of deskery enjoyed strong growth. New products were launched in the U.K. and France and further launches are planned for 1985.



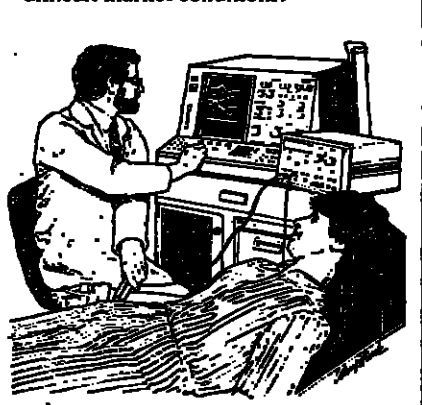
Vickers modular office furniture

The strong customer base and increased French order book bode well for profit growth in 1985.

## HEALTHCARE &amp; INSTRUMENTS

Sales £27.5m (£27.2m)  
Profit before interest £3.3m (£2.6m)

Vickers Medical, specialists in advanced healthcare equipment, from incubators to infusion pumps, was successful in profit terms, despite difficult market conditions.



MEDELEC, Medelec's new neuro-diagnostic equipment

Medelec continued to grow in both sales and profit terms and new products strengthened its position in the field of specialised diagnostic equipment.

Vickers Instruments successfully launched Fibrecheck II, a sophisticated measurement system for optical fibres. This was coupled with a major sales effort in Japan. A major new product launch to the semi-conductor industry is planned for 1985.

Joyce-Loeb achieved significant orders for its image analysis instrumentation and saw its successful installation in the VW-Audi plant in West Germany.

## PRINTING &amp; PACKAGING MACHINERY

Sales £27.8m (£27.5m)  
Profit before interest £0.9m (£0.9m loss)

Crabtree Vickers Gatheshead achieved increased profits and a healthy order book indicates further improvement. Crabtree Vickers Leeds completed substantial rationalisation in 1984 and returned to profit. Inpac Automation saw increased demand. Vickers Dawson report encouraging response to increased sales effort.

## Lyle Shipping plc

(Registered in Scotland No. 10928)

RIGHTS ISSUE  
of new Preferred Ordinary shares of 5p each

This advertisement appears in connection with the rights issue of 56,089,329 new Preferred Ordinary shares of 5p each in the Company. The new Preferred Ordinary shares have been admitted to the Official List by the Council of The Stock Exchange.

Copies of the circular to shareholders dated 31st January, 1985, comprising the listing particulars relating to the Company required by The Stock Exchange (Listing) Regulations 1984, are available in the Exel Statistical Services and may also be obtained during normal business hours on any weekday, Saturdays excepted, up to and including Monday, 18th March, 1985, from:-

Lyle Shipping plc,  
12 Princes Square,  
48 Buchanan Street,  
Glasgow G1 3JY

Bank of Scotland,  
Registrar Department,  
26a York Place,  
Edinburgh EH1 3EY

Hill Samuel & Co. Limited,  
100 Wood Street,  
London EC2P 2AJ

Kitcat & Aitken,  
The Stock Exchange,  
London EC2N 1HB

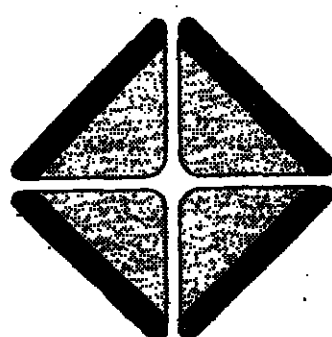
and, until Thursday, 28th February, 1985 only, from:-

Companies Announcements Office,  
The Stock Exchange,  
Throgmorton Street,  
London EC2P 2BT

26th February, 1985



The Directors of London Anglia Developments PLC (the "Company"), collectively and individually, accept full responsibility for the accuracy of the information given in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. It is not at present intended to apply for any of the share capital of the Company to be listed on any Stock Exchange or be dealt in on the Unlisted Securities Market. Two copies of this document, having attached thereto the documents specified in section 9 of Statutory and general information, have been delivered to the registrar of companies for registration.



# London Anglia Developments PLC

(Incorporated in England under the Companies Acts 1948 to 1981)

## Offer for Subscription

of up to 10,000,000 ordinary shares of £1 each at par payable in full on application  
Arranged by Anglo Dutch Limited  
Share Capital

Authorised  
£15,000,000 divided into  
(i) 1,000 "A" ordinary shares of £1 each  
(ii) 14,999,000 ordinary shares of £1 each

Issued and proposed to be issued fully paid

£1,000  
£10,000,000

The subscription list for the ordinary shares now being offered will open at 10.00 a.m. on 1st March, 1985 and may be closed at any time thereafter not later than 3.00 p.m. on 18th March, 1985. In order for subscriptions to qualify for tax relief in the 1984/5 tax year, applications should be sent in as soon as possible and, in any event, so as to arrive before 3.00 p.m. on 18th March, 1985.

Applications must be made in accordance with the procedure set out at the end of this document for a minimum of 1,000 ordinary shares or multiples thereof up to a maximum of 500,000 ordinary shares.

The issue has not been underwritten and the Directors will not allot any shares unless applications are received for a minimum of 1,000,000 ordinary shares and the minimum subscription has been received. All ordinary shares now offered will rank in full for all dividends and other distributions hereafter declared, paid or made and otherwise *pari passu* in all respects with each other.

Investment in the Company is speculative. Particular attention is drawn to the paragraph headed "Risk factors" in Financial information.

## Directors and advisers

<b>Directors</b>	<p>Paul Neville Rodney Cooke, M.A., A.R.I.C.S.* Robert John Bruce D'Arcy, F.R.I.C.S.* Jonathan Richard Paul Rutven Wiesner* Gunnar Richard Andersen, LL.B. Isabel Jane Cunningham, A.C.A. Sir Ian Godfrey Beville Macdonald of Sleat, Bt., A.R.I.C.S. Clive Nicholas de Laval Morris, M.A., A.C.A. Christopher Brian Spalding Gould Stewart</p> <p>*Executive</p>
<b>Secretary and Registered Office</b>	<p>Keith Barnard, A.C.A. 788 Salisbury House London Wall London EC2M 5RQ</p>
<b>Financial Advisers</b>	<p>Anglo Dutch Limited 7 House London Wall London EC2M 5RQ</p>
<b>Auditors and Reporting Accountants</b>	<p>Price Waterhouse Southwark Towers 32 London Bridge Street London SE1 9SY</p>
<b>Solicitors to the Company</b>	<p>McGuinness Finch 37 Dover Street London W1X 3FB</p>
<b>Solicitors to the Offer</b>	<p>Herbert Smith &amp; Co. Watling House 35-37 Cannon Street London EC4M 6SD</p>
<b>Bankers</b>	<p>Barclays Bank PLC 1 Pall Mall East London SW1Y 5AX</p>
<b>Registrars</b>	<p>Ravensbourne Registration Services Limited 34 Beckenham Road Beckenham Kent BR3 4TU</p>

## The Company

### Introduction

This prospectus has been issued by the Company with a view to offering to investors the opportunity to share in a business capable of deriving earnings from the development, redevelopment, conversion and refurbishment of properties principally in Central London and East Anglia together with the provision of sheltered housing.

The asset base of the Company will be represented either by properties, readily realisable securities or cash. The Company's strength will lie in its ability to capitalise on the skills of the three executive Directors who between them have over 50 years' experience of the property market. The executive Directors will recommend suitable projects to the Board, supported by a detailed feasibility study, and will be responsible for the day-to-day management of any such projects, once approved.

It is not intended to incur borrowings until the Company's resources are substantially committed. The initial ability to fund developments without incurring borrowings, and the consequent exposure to increasing interest rates, will give the Directors the opportunity to exploit such developments to the full.

This combination of no initial borrowings, extensive knowledge of the areas in which the Company will principally operate and the experience of the executive Directors are factors which should enhance the Company's prospects. In addition, because of existing tax concessions, this investment should qualify for income tax relief under the rules of the Business Expansion Scheme ("BES") and should, therefore, offer special advantages to certain private investors.

### Business

The business of the Company will encompass the following four activities:—

- conversion: the restructuring and renovation of existing properties for alternative use or the division of properties into self-contained units;
- refurbishment: the renovation and upgrading of properties, retaining their existing use;
- development or redevelopment: the building of new or the redevelopment of existing premises on land acquired by the Company; and
- sheltered housing development: the building of new dwellings or the conversion of existing ones for the elderly.

It is the intention that properties converted, refurbished, developed or re-developed by the Company will be sold and not retained by the Company as investments.

The Company will carry out the first three activities principally in Central London and East Anglia, concentrating on residential and commercial properties. It is proposed that sheltered housing developments will be undertaken throughout the United Kingdom in conjunction with Lifecare Developments Limited ("Lifecare"), the sheltered housing development subsidiary of Lifecare International plc, a company quoted on The Stock Exchange. Further details of this last activity are set out in the paragraph headed "Sheltered housing" below.

To illustrate the intended activities of the Company, four projects which are currently under consideration by the executive Directors are set out below:—

- Kensington, London. Planning consent has been obtained for a penthouse. Project costs and sales proceeds are estimated at £329,500 and £450,000 respectively.
- Wandsworth, London. A 2.5 acre freehold site suitable for a phased development of 20 units of 4,000 square feet each on two storeys (approximately half of which will consist of offices and the other half of light industrial space). Project costs and sales proceeds are estimated at £2,923,000 and £4,000,000 respectively.
- Ipswich, Suffolk. A site at present containing offices, warehousing and retail warehousing. It is proposed that, following redevelopment, refurbishment and division, the premises will provide two retail units, a retail warehouse, eleven small workshop units, a refurbished office building and a modern office block of 4,500 square feet. Project costs and sales proceeds are estimated at £575,000 and £794,000 respectively.
- Diss, Norfolk. A shop in a prime retail location with land at the rear for extension and development. Project costs and sales proceeds are estimated at £248,478 and £312,307 respectively.

Project costs and sales proceeds have both been estimated by the executive Directors on the basis of current costs and property prices. These estimates are not a forecast of profits by the Company and have not been examined by the reporting accountants. The projects are by way of illustration only and there is no guarantee that the Company will acquire any of them or that, if acquired, their outcome will be as currently envisaged.

### Sheltered housing

Sheltered housing provides warden-assisted accommodation for the elderly. Lifecare's sheltered housing units are purpose designed, built or converted for the elderly so as to incorporate a number of features to assist them in daily living. The following are examples of features which can be included:—

- accommodation designed to enable it to be adapted to the changing needs of the elderly as they progress into old age;
- halls, landings and stairs designed to accommodate a chair lift;
- an alarm system linking residents to the warden;
- outward opening doors so that if an occupant should fall behind a door it can be opened; and
- electrical sockets placed at one metre height to obviate bending.

A warden provides general supervision and assistance in an emergency and a management company undertakes repairs, maintenance and upkeep of the building structure and exterior fabric and of the grounds and gardens of the entire development.

A recent report published by the Housing Research Foundation estimates that the present market requirement is for between 250,000 and 400,000 units in the United Kingdom.

Lifecare has agreed to advise on and manage any projects put forward by the Company and to submit to the Company any projects that it is unable to finance itself, in each case subject to the agreement of terms. Lifecare, through its managing director Mr. Roger Tanner, B.Sc.(Hons.), C.Eng., M.I.Mech.E., M.C.I.B.S., F.I.H.S.P., is well qualified to assist the Company in such projects. Relevant experience of Lifecare staff includes taking responsibility for project management of design, construction, technical services and commissioning of sheltered housing accommodation in the United Kingdom. The skills available to Lifecare also include energy conservation and low energy design in relation to health care facilities.

It is intended that all such housing projects undertaken by the Company will be sold on completion and will not be retained as investments.

### Directors and management

The management of the Company draws on the different disciplines that make it up, namely three experienced property developers (the executive Directors), the director of a building contractor operating nationally, a senior property partner in a London firm of solicitors, a financial executive with banking experience and a financial adviser experienced in investment with an emphasis on property and the provision of property finance. Details of each Director are set out below.

### Executive Directors

Paul Cooke, aged 37, graduated from Cambridge University in 1969 and joined Brown Shipley & Co. Limited. After a 12 month training scheme he left to join Donaldson & Sons. In 1973, he qualified as a Chartered Surveyor and left to set up a joint venture property investment and development company. Since then he has been involved in property investment and development in Central London in his own right and on a joint venture basis.

Robert D'Arcy, aged 42, graduated from the College of Estate Management in 1965. He became a Chartered Auctioneer in 1967 and in 1970 became an Associate of The Royal Institution of Chartered Surveyors of which he is now a Fellow.

He worked initially for Chestertons dealing mainly with valuations and management for the Church Commissioners and over three years joined Donaldson & Sons to gain further experience. In 1969, he went into partnership with Jonathan Wiesner, carrying out renovation and conversion of residential property in London which also involved lettings and sales.

In 1972, development activities were first undertaken by the partnership with the demolition and redevelopment of shops with residential upper floors. Since then he has been involved in town centre developments for major public companies and some industrial developments.

Jonathan Wiesner, aged 41, attended the College of Estate Management and joined Martin Medlicott & Roberts in 1963, where he specialised in residential investments. He then worked for Druce & Co. in the commercial investment department and for Dabernham Stores plc in their property management department.

He founded Robert Bruce & Partners, a firm of Kensington estate agents, in 1967 with three other partners, concentrating on the sales and letting of Central London houses and flats. In 1969, he formed a partnership with Robert D'Arcy commencing with residential conversion work in Central London and expanding his activities from 1972 into commercial development and refurbishment in East Anglia.

### Relevant experience of the executive Directors

The following table gives details of some of the transactions in which the executive Directors have played a prominent role over the last 12 years and which are of a type similar to those which it is envisaged the Company may undertake. The examples given in the table below are not an exhaustive list or necessarily representative of all of the relevant transactions undertaken by the executive Directors.

The project costs stated in the table comprise property purchase costs, building works, associated direct legal, professional and sundry costs. The project surplus is before deducting all costs associated with financing, such as bank and mortgage interest charges, commitment fees and certain professional fees and all indirect overheads. The period of development considered is the period before development commenced. In any event a period of development statistic would not indicate the average capital employed in the project over that period.

Property	Notes	Sale proceeds	Project costs	Project surplus	Year of sale
Ansdell Gardens, London W11		71,400	54,908	16,492	1978
Woodbridge, Suffolk		73,200	57,652	15,547	1977
Pembroke Place, London W11		96,200	69,610	26,590	1978
Glenmeade Farm, London NW1		88,750	56,411	32,338	1978
Ipswich, Suffolk		300,000	149,490	150,510	1979
Norwich, Norfolk		208,000	145,000	63,000	1979
Fakenham, Suffolk		102,100	69,685	32,415	1980
Queensgate, London SW7		348,231	189,522	158,709	1983
Diss, Norfolk		355,000	90,014	264,986	1984
Diss, Norfolk		100,000	46,500	53,500	1984
Woodbridge, Suffolk		2,007,500	1,522,042	485,458	1984
Beacons, London SW11		—	1,116,000	—	—

### Notes:

- In purchasing these premises a parcel of land was included at an additional cost of £10,000. This was retained, planning consent was obtained and it was developed to form a courtyard including 11 small shops and 4 flats now held as an investment.
- An old retail property with a large rear site was purchased in 1973, and held until July 1982 for a town centre shopping precinct, with a car park, and including various shops and business premises. The property was sold to the Boco Company plc. The property was sold for £1,887,500 and 3 retail units, all let and income producing, were recently been offered for sale. These three units are included in sales proceeds at a discount to the selling price and thus the sum shown under project surplus is an estimate.
- The site and premises were purchased in 1981 and development commenced in July 1982 for a town centre shopping precinct, with a car park, and including various shops and business premises. The property was sold to the Boco Company plc. The property was sold for £1,887,500 and 3 retail units, all let and income producing, were recently been offered for sale. These three units are included in sales proceeds at a discount to the selling price and thus the sum shown under project surplus is an estimate.
- This business centre comprises three blocks totalling 31,931 square feet of retail office and light industrial space fronting onto Ransome's Dock, one of the few waterfronts in the City of London. The property was purchased in 1984 and the lease is currently being marketed. The project costs of the development are expected to be in the region of £1,116,000.

### Non-executive Directors

Richard Andersen, aged 52, graduated from Kings College, London in 1952. He has practised as a solicitor since 1955. He has been a partner in Wedlake Bell, Solicitors, London WC2 since 1961 and is now a senior property partner for that firm specialising in particular with residential property work for both public and private development and investment clients.

Jane Cunningham, aged 30, qualified as a Chartered Accountant with Ernst & Whinney in 1978. She then joined Tangent Industries Limited as Group Accountant with responsibilities for accounting and taxation matters. In 1980, she moved to Beneficial Trust Limited as Group Financial Accountant where she was responsible for controlling all financial accounting matters. She joined Anglo Dutch Limited ("Anglo Dutch") in December 1983 as a Corporate Finance Consultant and was appointed a Director in November 1984.

Sir Ian Macdonald of Sleat Bt., aged 37, qualified as a Chartered Surveyor in 1974 and is a partner. He is also a Council member of Humberstone County Council, President of the Bridlington Chamber of Commerce and Trade, a member of the Economic Research Council and involved in several charities.

Nicholas Morris, aged 30, graduated from Cambridge University in 1975 before joining Price Waterhouse where he qualified as a Chartered Accountant. He then joined Lazard Brothers & Co., Limited where he was Group Accountant with responsibilities for accounting and taxation matters. In 1980, he moved to Beneficial Trust Limited as Group Financial Accountant where she was responsible for controlling all financial accounting matters. She joined Anglo Dutch Limited ("Anglo Dutch") in December 1983 as a Corporate Finance Consultant and was appointed a Director in November 1984.

Christopher Stewart, aged 36, is a financial adviser serving both individual and corporate clients. He is also a registered insurance broker. He founded a life assurance agency and property finance company, Spalding Securities Limited, over 14 years ago and is its controlling shareholder. In 1977, he also founded an investment services company, Spalding Asset Management Services Limited.

### Service agreements

The executive Directors have entered into service agreements whereby they will each be employed by the Company for five years at an initial annual salary of £12,000 and devote such of their time and attention as shall be necessary to ensure that the Company diligently and conscientiously carries on its business. Details of these agreements are set out in section 6 of Statutory and general information.

### Company administration

The cost of setting up a separate administration and obtaining office accommodation for the Company is such that it is possible to reduce overheads by sharing these services with an existing organisation. In order to keep administration costs to a minimum, the Board has decided to retain the services of Anglo Dutch both as financial advisers to the Company and also to provide accountancy, secretarial and administration services.

Anglo Dutch is an issuing house, specialising in corporate finance consultancy and is currently financial adviser to two other public companies, one being on the Official List and the other on the Unlisted Securities Market of The Stock Exchange.

Details of this agreement with Anglo Dutch are set out in section 5 of Statutory and general information.

### The "A" ordinary shares

A two tier share structure has been devised whereby the executive Directors, Christopher Stewart and Anglo Dutch have, as promoters of the Company, been issued all of the 1,000 "A" ordinary shares of £1 each in the Company. The rights attached to these shares are set out in section 2 of Statutory and general information and can be summarised as follows:—

The "A" ordinary shares initially carry the right to 10 per cent. of the votes, dividends and underlying assets of the Company for the first five years of the period after publication of the accounts of the Company in respect of the year ending 31st March, 1990, to a maximum of 30 per cent., as set out in the Articles of Association. The underlying principle is that as the rate of growth of the net assets of the Company increases, so does the proportion of the underlying assets attributable to the "A" ordinary shares. The table set out below illustrates the basis on which the formula will operate (assuming the Offer is fully subscribed).

Compound rate of growth per annum up to 10%	Net asset value of the Company after five years up to £18,106,100	Interest of "A" ordinary shares in the underlying assets 10%
Then for every 1 per cent. increase in the compound rate of growth per annum, there will be an increase in the underlying assets attributable to the "A" ordinary shares equal to 2 per cent. of the whole, e.g.:		
11%	£18,850,581	12%
12%	£21,722,556	20%
15%	£20,113,571	20%
20% or over	£24,883,200 or over	30%

The rights to votes and dividends attaching to the "A" ordinary shares will increase in similar proportions.

The following table illustrates the effect of this on an investor who subscribes for 1,000 ordinary shares, assuming that he is able to offset the whole of his investment at a rate of taxation of 60 per cent., and whose initial effective cost of investment would be £300:—

Compound rate of growth per annum	Net asset value of the Company after five years	Per cent. interest of ordinary shares	Net asset value of investment based on effective cost	Rate of growth of investment
10%	£16,105,100	90	£1,449	29.4%
15%	£20,113,571	80	£1,809	32.1%
20%	£24,883,200	70	£1,742	34.3%

The above examples are for illustrative purposes only and are not a forecast.

### Benefits of the Offer

In the opinion of the Directors the main attractions of an investment in the Company are set out below:—

- the Company will, when fully invested, have a tangible property asset base;
- the day-to-day management of the projects will be the responsibility of the executive Directors, whose principal reward is allied to the success of the Company in the form of their respective holdings of "A" ordinary shares; and
- the potential return on an investment in the Company is considerably enhanced by the possibility of tax relief under the BES, which may serve to reduce the cost of investment and is described in more detail below.

## Financial information

### Dividend policy

In order not to jeopardise income tax relief obtained under the BES, it is intended that no dividends will be paid in respect of the first five years of trading by the Company. Therefore, it is the intention to adopt a dividend policy that recognises the needs of shareholders whilst having regard to the Company's development.

### Working capital

The Directors consider that subject to the minimum subscription being achieved the Company will have sufficient working capital for its foreseeable requirements.

### Business Expansion Scheme

The Finance Act 1983, as amended, contains the detailed provisions of the BES. The BES is designed to provide individuals with an incentive to invest in unquoted companies by allowing them to obtain income tax relief for an investment of new equity capital in such companies. The summary that follows is subject to any changes that may come into effect as a result of the next budget, particularly any clauses which may operate retrospectively.

On the basis of information given in this prospectus the Inland Revenue have provisionally confirmed that the Company should be regarded as a qualifying company within the terms of the BES. Individual subscribers for ordinary shares in the Company should, depending on their circumstances, be able to obtain income tax relief in respect of the year ending 5th April, 1985 at their highest rate of tax on the amount subscribed.

The following illustrates the effect of income tax relief on the cost of ordinary shares to a taxpayer subscribing for 1,000 ordinary shares at a subscription cost of £1,000 assuming that the whole cost is deductible at the relevant rate.

Marginal tax rate of individual	Relief obtainable	Net cost of investment
60%	£600	£400
50%	£500	£500

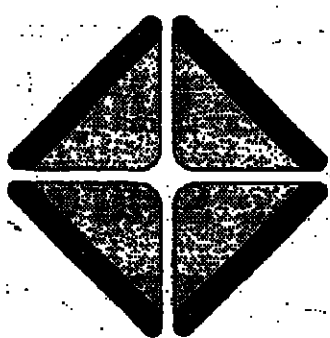
In order to secure the income tax relief available under the BES, ordinary shares must be retained for a minimum period of five years after their date of issue to the taxpayer. If the ordinary shares are disposed of within the five year period, the amount of relief available to or obtained by the taxpayer may be withdrawn either wholly or in part.

Under existing rules, for the purposes of United Kingdom capital gains tax on the disposal of ordinary shares at a profit after the five year retention period, the base cost of ordinary shares will be the gross cost of acquisition plus any indexation allowance that might be available. In such circumstances, the income tax relief obtained by an investor would not be brought into account for the purposes of calculating any liability for such capital gains tax.

Individuals intending to claim income tax relief under the BES in respect of the cost of ordinary shares acquired pursuant to this document are advised to read the section on the BES below in which further details are given in relation to that scheme and the procedure for claiming relief.

The Directors intend, so far as possible, to conduct the affairs of the Company in such a way as to maintain the qualifying status of the Company under the BES and are of the opinion that this will be consistent with the commercial interests of the Company. However, relief will only be forthcoming to an individual subscriber who meets certain conditions. Accordingly, the Directors can give no assurance that relief will be available to individual subscribers, who are advised to consult their professional advisers.





*(Incorporated in England under the Companies Acts 1948 to 1981)*

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# THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

BRITISH VENTURE capitalists have been criticised for taking a less robust attitude to risk than their U.S. counterparts. That accusation may be wide of the mark in some cases. But it is certainly true in the experience of Peter Richardson, managing director of Computerised Medical Systems, a Chicago-based medical equipment maker which will shortly be moving its manufacturing plant to Aylesbury.

Nobody in London would believe 41-year-old Richardson when he told venture capital fund managers last year that he could succeed in making money out of a computerised body scanner which had forced EMI into the arms of Thomson five years ago and bankrupted the U.S. company which inherited the machine.

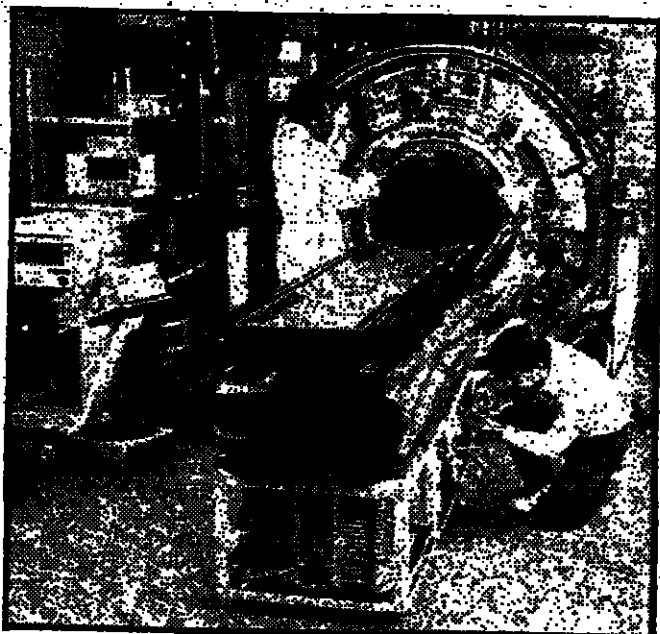
Yet Richardson, who eventually raised \$750,000 (£888,000) from a Californian hamburger chain operator and other private U.S. investors, actually succeeded in making his project break even in its first seven months of trading, and looks set to make a \$2m profit on sales of \$10m in the year to next December.

His experience provides a sobering illustration of the differences in attitude to risk capital on opposite sides of the Atlantic and also shows how it is possible for a smaller, more flexible company to make headway where giants have been defeated. However, CMS is not clear of its growing pains yet, and it would never have raised finance without the entrepreneurial U.S. without the obsessive determination of Richardson himself.

Richardson's stormy love-affair with body scanners began 10 years ago when he worked at EMI on a computerised tomography (CT) machine, invented by Nobel prize-winner Sir Godfrey Hounsfield, which allows sections of the human body to be shown on a television screen.

Like many companies which are first in their field, EMI soon found itself being left behind by the competition which its new product had inspired. Richardson was commissioned to bring into production a faster, more sophisticated scanner to be made near Chicago so that EMI could crack the U.S. market and turn the competition back. By the end of 1978, the new scanner was in production—after \$40m of development costs—but had not yet taken up the slack left by the decreasingly successful older models.

That weakness provided the takeover opportunity that Thomson was looking for. After the acquisition, and an unsuccessful attempt to sell EMI's North American subsidiary to General Electric of the U.S., Richardson



CMS's first body scanner has been sold to the Soviet Union and six more sales should be made elsewhere this year

## Hard sell for a body scanner

William Dawkins on Computerised Medical Systems' search for venture capital

son was given the soul-destroying task of running down the Chicago operation.

In the event, a small Californian medical equipment group, Omnimedical, paid \$4.5m for the technical rights to the machine and the contracts to service existing EMI CT scanners. Richardson had not been back in the UK for long when Gary Mounts, Omnimedical's president, telephoned to say that he was having distribution problems. Would Richardson be prepared to help?

The group also wanted to create its own version of the scanner to bring it up to date with the latest microprocessor technology. It accordingly raised \$1m through a private U.S. share placing, expecting to unveil the first models within six months. In fact, it took Omnimedical two years and \$7m of development costs to start production.

"The Omnimedical management had never been able to get to grips with absorbing a business larger than themselves," he says. By the end of 1983, losses had climbed to \$25.5m on sales of \$20m, overhead costs were running out of

control, and Omnimedical's future looked grim.

Richardson believed he could do better. Omnimedical, he felt, was employing far too many people—500 at one point—as against CMS's current complement of 37—and could be profitable if it made a more concerted attack on non-U.S. markets.

The answer, he believed, was to reduce the workforce, control development costs, and start manufacturing in the group's existing distribution outlet in Aylesbury. Richardson outlined his idea to Dan Montano, an ebullient U.S. securities dealer who had been pulled in by Mounts to help raise equity in the UK.

After a one-week meeting with Richardson at a hotel in Heathrow, Montano agreed to help raise enough cash to bid for Omnimedical. Having turned down employee to Predator, Richardson had no option but to resign from Omnimedical. (It went bankrupt in January last year with debts of \$25.5m.)

The pair's first attempt to raise \$3m to \$5m under the UK's Business Expansion Scheme met with a flat refusal from the Inland Revenue. Groups with overseas assets are

not allowed to use the BES, even if they plan to be based in the UK—a point which fills Richardson with incredulity.

"We are just the kind of company the BES should be intended for," he argues. "We were expecting to employ 60 to 70 people in Aylesbury by the end of our first year. Instead we are employing 25 people in North America who should be here and who are costing us a hell of a lot more because of the dollar's strength."

Disappointed but not deterred, Richardson and Montano hawked their proposals among institutional investors—they visited more than 25 in the space of a month—who gave a unanimous thumbs-down.

Returning to the U.S., Montano managed to persuade Carl Karcher, the owner of 400 Californian hamburger restaurants and an original Omnimedical investor, to stump up \$550,000 and guarantee a \$1m bank overdraft. Private investors put up a further \$200,000.

Omnimedical's bankers were only too keen to let the business go for a total of \$748,000, a fraction of its \$3.2m book value, and a distinctly opportunistic price for a product that had cost nearly \$50m to develop.

With a slimmed-down team of the old Omnimedical's best technical staff, Richardson shipped his first \$950,000 scanner to the Soviet Union last December, and is within splitting distance of closing contracts to sell another six this year.

However, CMS still has a long way to go before being anything like a solid investment proposition.

Earnings have been flattered by CMS's ability to use a factory packed with practically free materials and semi-completed machines left from the former Omnimedical business, and Richardson is keenly aware of the need to diversify.

Richardson is working on agreements with major equipment suppliers to assemble and distribute their own machines. He has already signed two contracts for breast diagnosis and cancer treatment equipment, and plans to pick up four more products within the next year or so. CMS is also examining the UK market for mobile scanner units; a way for hard-pressed health authorities to share costly capital equipment, which will be the subject of a separate BES offering to-morrow.

However, the main CMS business still needs another \$5m if it is to fulfil Richardson's diversification plans. With characteristic doggedness, he is again knocking on the City's doors—but the signs are that CMS will again have to look to the U.S. for venture capital.

## How to tap the public purse

William Dawkins explains the potential for selling to The Crown Suppliers



WHICH organisation purchases in a single year enough carpet to stretch in a two-metre wide strip from London to Moscow, enough filing cabinets to make a stack 26 miles high, and enough seating to fill the Royal Albert Hall more than 50 times?

Answer: The Crown Suppliers, the British Government's central purchasing agency, which spends almost £300m annually on goods and services provided by the private sector, more than any centralised Whitehall department except the Ministry of Defence.

The sheer diversity of the agency's shopping list—around 7,000 products from tablespoons to test-tubes to trucks—makes it a potential goldmine for an equally wide range of small businesses.

And The Crown Suppliers has been particularly keen since it was relaunched with a higher profile last year, to farm out more contracts to smaller operators, a strategy which found expression yesterday with the publication of its booklet, "Selling to The Crown Suppliers," a step-by-step guide for companies hoping to do business with the agency.

Whitehall has for several years been concerned to make it easier for small businesses to tender for public contracts as part of the Government's general job creation policies. However, it has been criticised for not going far enough in cutting official red tape. An inter-departmental report on government purchasing published last December, for in-

stances, highlighted the need to reduce the amount of paperwork which potential public contractors have to wade through.

Meanwhile, the proportion of The Crown Suppliers' contracts taken by small firms has remained static for the past three years (although that is on a rising volume), and John Dole, the agency's chairman, is keen to see it increase.

Companies employing less than 100 people won 4,000 contracts worth a combined total of £21.75m from the agency last year, 14.5 per cent of its commodity purchasing bill, excluding locally contracted services like carpet laying and fuel distribution.

"The most important thing for us is to satisfy the customers," says Dole. "Quite a lot of what we are doing is not suitable for small firms because of the volume of our requirements. But it is very often the case that small firms can offer us better prices because of their smaller overheads." A wider supplier base

also helps the agency to be more flexible in sourcing its needs and avoiding distribution problems.

Apart from marketing itself more vigorously, The Crown Suppliers has moved to attract small firms on several specific fronts in recent years, some of which are in line with general government purchasing policy, and some of which are innovative.

Most contractors have to be on an approved list, clearance for which can take between two and six months depending on the complexity of the transaction. Six months ago the agency allowed non-approved companies to tender for work so long as the value of the contract did not exceed £10,000 annually.

Tendering has been made easier and quicker. Dole estimates that the time between inviting tenders and awarding a contract has been cut by a third over the past year to an average of two and a half months. This has been helped by internal reorganisation, as well as last year's introduction of a simplified tendering document for contracts up to £20,000. Previously the document was restricted to contracts worth up to £10,000.

Companies are also being asked more frequently to submit tenders which conform to general functional requirements, allowing them to offer a range of alternative products rather than stick to unnecessarily detailed specifications which might involve costly retooling.

The agency's 11 UK regional offices were given the power last year to award local contracts worth up to £20,000, so that suppliers did not have to pass through the bureaucracy of its central London headquarters. Just over 2,000 regional contracts were awarded on that basis in 1984, with an estimated value of £10m.

Communications with contractors and tenders have been improved. A small firm officer was appointed 18 months ago, whose job it is to advise companies how to tender and how to get on to the approved list. Approved firms are automatically invited to tender for particular contracts.

The general requirements for approval are that the firm meets certain technical standards, is financially sound, and will not be devoting more than about 25 per cent of its turnover to The Crown Suppliers. "Government purchasing can be a little erratic, so we do not want anybody to be too dependent on us," explains Dole.

Unsuccessful tenderers have the right to be told exactly why their bid was rejected, to give them a better chance of success next time. This service has been part of public purchasing policy for more than three years, but the agency is attempting to get more companies to make use of it.

Further details can be found in "Selling to The Crown Suppliers," available free from the agency's regional offices or from its publicity section, Southbridge House, 2-10 Southwark Bridge Road, London, SE1 0EQ. Tel: 020 2044, extension 825.

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### In brief...

TOUCHE ROSS, the accountancy firm, has established a centre for small business development at the University of Warwick.

The firm is providing £150,000 over the next five years for the centre, which is based in Warwick's school of industrial and business studies. It will co-ordinate the school's small business studies at undergraduate and postgraduate levels, as well as undertake research into small business problems and develop training and counselling programmes to meet those needs.

In addition, it will control the two Manpower Services Commission-funded programmes which the school of industrial and business studies has been running—the new enterprise and management extension schemes. The former provides training for people planning to set up their own companies, while the latter supplies experienced managers to work with small businesses under the business school's guidance.

Small companies considering whether to raise equity capital will be interested in two conferences to be held on the subject next month. A one-day seminar entitled "How to Raise Venture Capital," presented by Venture Economics with accountants Peat Marwick Mitchell, the Welsh Development Agency and the Welsh Regional Management Centre,

is to be held in Cardiff on March 8. Subjects include negotiating with a venture capital company and the do's and don'ts of raising equity.

Inquiries should be directed to Peat's Ken Shaw on 0222 481145. The seminar costs £63.25 and will take place in the bar on the Avenue, Llanedeyrn.

(Investors in Industry) is holding a half-day conference on March 18, entitled "Examining the Equity Market." The seminar, to be held at the Amgueddfa Centre, Egham, Surrey, costs £50, and will offer a discussion of some tax-effective means of selling shares and the merits and drawbacks of new public equity markets like the Unlisted Securities Market. Enquiries should be

made to Investors in Industry, 31 Waterloo Road, London SE1.

A FULL explanation of the advantages and drawbacks of public life and how to set up on your own is contained in "Running Your Own Pub," the latest guide in the Kogan Page Working for Yourself series.

The book is written by Elwyn Money, who has had more than 12 years' experience in the pub trade. It deals in simple and straightforward language with issues like finding premises, raising finance, accounting, law and employment. Running Your Own Pub costs £9.95 and is available from Kogan Page, 120 Pentonville Road, London N1.

## Business for Sale

### Home Computer Software

Logic 3 Ltd. operates an extensive Mail Order Club with approximately 8,000 members for Commodore and Sinclair Spectrum owners.

The company also sells under licence programmes through the major High Street multiples and maintains extensive data bases on users and dealers. Offers are invited for the stocks and goodwill of the business. Further details from the joint receivers and managers: M. C. Withall and P. A. Hall, Thornton Baker, Fairfax House, Fulwood Place, London WC1V 6DW. Tel: 01-405 8422. Telex: 23894.

### Thornton Baker

### PRIVATE HOUSE BUILDING COMPANY FOR SALE

Land Bank of 350 Plots plus substantial work in progress. Whole share capital available for £1.7 million. Principals only apply to: The Chairman, Box G10495, Financial Times, 10 Cannon Street, London EC4P 4BY.

### PRODUCTION EQUIPMENT MANUFACTURER

The Company, established 30 years ago, is a market leader in specialised production equipment for a growing industry. It leases a modern, well equipped 20,000 sq. ft. purpose built factory in Cambridgeshire. Turnover approx. £1.2m, now earning small profits after suffering badly in the recession. Approx 50% exported.

Principals only apply to Box G10498, Financial Times, 10 Cannon Street, London EC4P 4BY.

### FOR SALE

ENGINEERING TOOL & COMPONENTS SALE & MANUFACTURING BUSINESS

Small Tool & Machine Tools Sales Component Manufacturing Section. Extensive Customer List. 8,000 sq. ft. Freehold Property. Turnover £400,000 p.a. Owner retiring. Contact: C. J. C. Derry, Business Brokerage Division, Brownlow House, 50/51 High Holborn, London WC1V 8EG. Tel: 01-405 9411. Telex: 587377.

### HENRY BUTCHER

### NORTH WEST

Public company has separately located die-casting facility, well equipped but under-utilised. Would be interested in either sale of building and facilities or in acquiring substantial sub-contract work. An acquirer would receive the benefit of the ongoing work and production team.

Write to: The Chairman, Box G10490, Financial Times, 10 Cannon St, London EC4P 4BY.

### FOR SALE

Owner retiring from well established and highly profitable taxi business in North Wales. Price, including freehold property, £200,000. Write Box G10501, Financial Times, 10 Cannon St, London EC4P 4BY.

### The Tennant Motor Group FOR SALE AS A GOING CONCERN

8 Trading Units  
Turnover £18m  
1,830 New Cars 2,600 Used Cars  
From 6 Franchises  
(1984 Management Figures)  
FOUR FREEHOLD PROPERTIES

Details from the Receiver:  
Donald Turner C.A.,  
Arthur Young,  
George House, 50 George Square, Glasgow G2 1HR.  
Telephone 041-552 4994

Arthur Young  
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

### MUSIC STORAGE CASES

Offers are invited for the business and assets of MICHAEL PLATT & CO LTD. Manufacturers of PVC portable storage boxes for audio and video cassette, records, documents, etc.

\* Turnover approximately £1 million.  
\* Freehold factory and office premises of 33,000 sq. ft. in Wimbledon.  
\* Workforce of approximately 50 people.  
Further information from A. R. Naughton.

Touche Ross & Co.

Hill House, 1 Little New Street, London EC4A 3TR.  
Telephone: 01-353 8011. Telex: 261004.

### FOR SALE

#### Non Ferrous Foundry

Situated near Birmingham, green sand, shell moulding and stamping facility. Profitable £1m order book. Self contained premises.

Skilled labour force. Write Box G10499, Financial Times, 10 Cannon St, London EC4P 4BY.

### UK EXPORT CO

Packaged cleaning and detergent products exported direct from UK contractor filters to Middle East. Principals only may write to: J. A. Mansel, FCGA, 5 South Molton Street, Mayfair, London W1T 1DH.

### WEST END TRAVEL CO

Well established Tour Operator/ Retail with spacious, elegant premises. FOR SALE. Write Box G10505, Financial Times, 10 Cannon St, London EC4P 4BY.

### ENGINEERING COMPANY

Specialist concern of Press Tools for the Automotive and Appliance Industries. Tools, Presses, Dies, etc. Main Road, Oldham, Greater Manchester, M20 9JN. Tel: 061-628 1000. Write Box G10498, Financial Times, 10 Cannon St, London EC4P 4BY.

### BODY SHOP

Growing and profitable branch of the successful and popular Body Shop franchise chain for sale in London. Growing at 40% p.a. with 15% return on sales. Write Box G10502, Financial Times, 10 Cannon St, London EC4P 4BY.

### FOR SALE

CHANNEL PORTS AREA. Valuable Garage — Freehold Italian and Japanese franchise. Main Road site — approx 6,000 sq. ft. Landscaped. For Sale £250,000. Write Box G10476, Financial Times, 10 Cannon St, London EC4P 4BY.

### Business and assets of a TRANSPORT COMPANY

located in the Birmingham area specialising in road express transport day or night, utilising a fleet of approximately 20 vehicles. Leasehold premises approx. 1,000 sq. ft. (including storage and office accommodation). 25-year lease.

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Windsor House, 3 Temple Row, Birmingham B2 5LA

### FREEHOLD FOR SALE

MODERN SUPERMARKET AS A GOING CONCERN. 7,200 Sq. Ft. Gross. SE LONDON. Gross £750,000 p.a. Possible £200,000 with 100 Licences. £200,000 one. Write Box G10509, Financial Times, 10 Cannon St, London EC4P 4BY.

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### £2 MILLION AVAILABLE

We are anxious to acquire a controlling interest in a profitable company engaged in financial or other services, which feels that it would benefit from association with a supportive financial partner.

For an exploratory discussion, in confidence, please contact:

Christopher Poulton, Director  
CADOGAN OAKLEY LIMITED  
22 HANS PLACE  
LONDON SW1X 0EP  
Tel: 01-225 1488

A Member of the Cadogan Estates Group of Companies

### WANTED STAINLESS STEEL FABRICATION PRODUCTS/BUSINESSES

High quality stainless steel fabrication business, part of a large U.K. based Group, wishes to acquire compatible products and/or businesses.

ALL REPLIES WILL BE ACKNOWLEDGED

Write Box G10500, Financial Times, 10 Cannon Street, London EC4P 4BY

### WANTED ELECTRICAL COMPANY

PLC seeks to acquire an electrical manufacturing company that can enhance its existing activities in commercial lighting and trunking distribution systems. The company should be currently profitable with growth potential.

Write Box G10485, Financial Times, 10 Cannon Street, London EC4P 4BY

### LITHO PRINTING COMPANY WANTED

Our Clients would like to acquire a Litho Printing Company located in London or the Home Counties. Turnover £3 million-£2 million. All enquiries will be treated in the strictest confidence.

Please reply to Mr Paul Vanzozi  
Caldwell and Bramham  
1a Shenley Ave, Ruston Manor, Medz HA4 6BP

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Indicated turnover over £200,000

Offers over £350,000 for 112-year lease

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AN ELEGANT GEORGIAN COUNTRY HOUSE HOTEL

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11 South Charlotte St, Edinburgh EH2 4AS. Tel: 031-225 2944

### BUNBARTONSHIRE

LOCHSIDE HOTEL ON SMALL

LEASEHOLD FACILITIES

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Possible finance available

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10 Cannon St, London EC4P 4BY

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3-star hotel

Superb Location

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10 Cannon St, London EC4P 4BY

## PROFITABLE COMPANIES WANTED

We are medium sized engineering and industrial services publicly quoted group based in the Midlands, but with national interests, looking to expand its manufacturing and service operations. We are, however, a privately controlled company with a good profit to equity ratio. We are seeking a minimum investment of £750,000 pre-tax per annum, wanting to explore the realisation of your capital investment whilst retaining autonomous management responsibility for the immediate future. If you believe we have something to offer each other then please write in confidence to:

Box No. 77994, St James's Corporate Communications Ltd

St James's House, 477 Red Lion Court, London EC4A 3ES

## WANTED ENGINEERING PRODUCT

We are a Company, well known in the development and manufacture of advanced engines for many applications worldwide, with spare capacity in our West Midlands operations. We wish to acquire a business, or the manufacturing/marketing rights, with an engineering product which will fit with our excellent assembly and machining capabilities, and benefit from our sales and spare parts marketing abilities. Turnover could be up to £2m.

Write to: Managing Director,







NEW YORK STOCK EXCHANGE 24-25  
AMERICAN STOCK EXCHANGE 25-26  
U.S. OVER-THE-COUNTER 26, 34  
WORLD STOCK MARKETS 26  
LONDON STOCK EXCHANGE 26-28  
UNIT TRUSTS 30-31  
COMMODITIES 32 CURRENCIES 33  
INTERNATIONAL CAPITAL MARKETS 34

# SECTION III - INTERNATIONAL MARKETS

## FINANCIAL TIMES

Tuesday February 26 1985

Gold tumbles  
to 5½-year  
low, Page 32

### WALL STREET

## Uncertainty prevails on rate outlook

UNCERTAINTY over the outlook for U.S. interest rates, reflected in further losses in the bond market, caused Wall Street stocks to falter again yesterday, writes Terry Byland in New York.

By 3pm the Dow Jones industrial average was 2.85 down at 1,273.19.

The Federal Reserve again intervened to help the credit markets - the eight successive daily supply of funds - but market views of Fed policy continued to diverge. Some credit market analysts predict that the Fed will tighten policy soon as the U.S. economy gathers pace again. But others suggest that the reserve board fears driving the dollar yet higher and will leave the bond market to tighten on its own initiative.

Federal funds stood at 8½ per cent when the Fed announced \$1.5bn in customer repurchases and was reluctant to turn down.

Dr Henry Kaufman, chief economist at Salomon Bros., warned clients that the funds rate should "drift upwards" towards 9 per cent this month. There was some selling of bonds both by the trading houses and the investment institutions, but the general inclination was to await today's fresh appearance by Mr

Paul Volcker, the Fed chairman, before the Senate Banking Committee.

The rise in bond yields continued to hold the stock market in check. Turnover was lower than last week, with both the blue-chip and the speculative take-over stocks out of the limelight.

Stock prices tried to rally from a weak start but could make little or no headway. Prices were a shade easier over the broad range of the market.

Phillips Petroleum dipped 5¢ to \$48½ as Wall Street backed away from the tangled bid situation. Pennzoil, 5¢ off at \$44½, firmly rejected reports that it planned to join Mr Carl Icahn in his bid for Phillips.

Mr Icahn's offer of \$80 cash for a controlling stake in the oil company remains in limbo, as does the restructuring plan by the Phillips board, which on Friday recessed the stockholders' meeting while allowing voting on the proposal to continue.

Stock in Unocal, where a group led by Mr T. Boone Pickens has a 9.7 per cent stake, added 5¢ to \$47½ after Mr Pickens admitted that a bid could develop. The proposed merger with Woods Petroleum left Sunshine Mining 5¢ lower at \$ 8½.

Texas Instrument fell 57¢ to \$110 after a leading brokerage house sharply downgraded its earnings forecasts for the company. Other computer issues showed little change, IBM slipping 5¢ to \$132½ and Burroughs 5¢ to \$60½.

Tobacco stocks were little affected by the prospect of a court case this week testing corporate responsibility for cancer death. At \$78½, R. J. Reynolds shed 5¢, while Philip Morris gained 5¢ to \$87½.

Some bank stocks took a tumble after Dean Witter Reynolds removed them from its recommended list, on the grounds that the downturn in the bond market will hurt profits - last year's final quarter earnings benefited from the strength of bonds in December. Bankers Trust, 5¢ off at \$60½, and J.P. Morgan, \$1 down at \$44½, were hardest hit.

Treasury bill rates showed little further change after the sharp rises recorded last week. But other money markets continued to move up nervously as traders anticipated higher rates within a few months. June-dated certificates of deposit added a further 20 basis points. Federal funds, at 8½ per cent, eased after the Fed's intervention but remained higher than the market liked.

The bond market steadied from early falls of ¼ point or so, but there was no strength behind the recovery. Prices were showing losses of around ½%.

### LONDON

## Sterling's decline unsettles

AGAINST a backdrop of the persistent decline in sterling relative to the dollar, along with rising short-term interest rates, London financial markets remained extremely cautious yesterday.

The new account in equities saw prices drifting lower, but government stocks showed some resilience helped by forecasts of a tight UK budget next month.

There were few signs of institutional selling of equities, but investors also showed a marked reluctance, which resulted in lower levels for most of the leaders. The FT Ordinary index closed 7.2 off at 968.0.

Preliminary figures from index constituent Vickers, 8¢ down at 235½, failed to meet expectations.

Chief price changes, Page 26; Details, Page 27; Share information service, Page 28-29

### HONG KONG

AN ACCUMULATION of selling pressure forced Hong Kong stocks sharply lower, with the Hang Seng index sliding 46.01 to 1,389.18 in moderately busy dealings.

Wheelock Marden added 30 cents against the trend to HK\$7.40 as the battle for control intensified. Allied Investors was suspended at HK\$8.75, against the HK\$11 bid launched through HK Wharf - itself 40 cents weaker at HK\$6.30 - as a potential way to control of Wheelock, its associate.

HK Land shed 38 cents to HK\$4.67, China Light 30 cents to HK\$14.50 and Jardine Matheson 55 cents to HK\$9.45, but Cheung Kong at HK\$13.80 was among those managing to hold steady.

### SINGAPORE

A CAUTIOUSLY firmer Singapore result was again featured by frenetic speculative activity in Kentucky Fried Chicken, despite assurances from the board of the franchise concern that it was unaware of any reason for the recent strong gains.

These were extended by a full S\$1.08 to S\$4.52, for a three-day gain of some 93 per cent.

Haw Par, also actively dealt, gained 13 cents to S\$2.40, as notice was taken of increases in stakes by Hong Leong, 2 cents easier at S\$3.28, and UOB, ahead the same amount to S\$4.48.

### AUSTRALIA

DIVERSIFIED resource issues led a Sydney rally from mining weakness, although both the gold and oil and gas sectors showed a mixed finish.

BHP put on 4 cents to A\$5.40, MIM 8 cents to A\$2.70 and CRA 12 cents to A\$5.74. By contrast, Renison shed 5 cents to A\$4.05, Aberfoyle 10 cents to A\$9.10, and heavy trading in Santos left it 4 cents off at A\$5.38.

On the banking and industrial side, rises of 10 cents apiece were found in ANZ at A\$4.60 and News Corporation at A\$12.90.

### SOUTH AFRICA

LOSSES among Johannesburg gold shares, triggered by the renewed slide in bullion values, were curtailed somewhat by a parallel retreat in the rand.

FS Geduld none the less shed R2 to R30, Southval B3 to R87 and Bracken 20 cents to R3.45, while among the mining houses Anglo American relinquished 70 cents to R22.

The weaker trend spread to Impala Platinum, off R1 at R21, as well as the industrial boards, where Barlow Rand lost its hold on the R10 level with a 15-cent fall.

### CANADA

A MARKED decline among Toronto shares was led by the gold sector, under pressure from bullion's weakness, but setbacks elsewhere were widespread.

Among the exceptions was a good reception given to the CS11.50-a-share bid by Abitibi-Price for Barbecon, suspended at C\$37.25.

Utilities held up better than most in a cautiously lower Montreal trend. Banks retreated.

### TOKYO

## Fresh peak attained in slow going

BRISK BUYING of biotechnology-related pharmaceuticals stood out in slow Tokyo trading yesterday, as share prices edged higher and the Nikkei-Dow market average hit yet another all-time high, writes Shigeo Nishiwaki of Jiji Press.

The barometer gained 29.12 to 12,201.04. However, volume shrank to 271m shares from Friday's 330m, and advances outpaced declines by 378 to 334, with 164 issues unchanged.

Investors retreated to the sidelines in the absence of any fresh incentives. Record-breaking margin debts, the yen's drop against the dollar and uncertainty about Wall Street's direction further cooled enthusiasm.

Only biotechnology-related drug issues were actively traded. Sanryo topped the most active stock list with 13.35m shares changing hands, rising Y180 to a record Y1,380. Buying interest was fuelled by reports that the pharmaceutical firm was developing a new anti-cancer agent.

Sanryo's gain triggered rises by other biotechnology-related stocks, with Green Cross scoring a daily limit gain of Y300 to Y2,060 and finishing third busiest with 8.38m shares. Yamanouchi Pharmaceutical, fifth most active with 4.72m shares, added Y150 to Y4,080, Takeda Chemical Y33 to Y882 and Kuraray Y150 to Y1,040.

Nomura Securities, the second most active with 11.67m shares traded, gained Y30 to match its all-time high of Y1,080 recorded in 1972 but came under profit-taking pressure later to finish unchanged at Y1,050.

Kumagai Gumi and Isuzu Motors attracted China-related buying interest, advancing Y2 and Y12 to Y645 and Y422 respectively. Shinko Electric rose Y4 to Y314 and Sony Y90 to Y4,500, both being selected as compact disc-related stocks. Trading in blue chips was inactive. Matsushita Electric Industrial moved up

Y30 to Y1,590, but Pioneer Electronic closed Y30 lower at Y2,930.

On the bond market where prices had dropped sharply last week in response to declining U.S. bond prices, brokerage houses resumed buying, but most other institutions held back as the dominant market sentiment saw a rise in U.S. interest rates in the immediate future.

The yield on the benchmark 7.3 per cent long-term government bond, maturing in December 1993, fell to 7.08 per cent from Saturday's 7.14 per cent.

### EUROPE

## Conflicting pressures in evidence

CROSS-CURRENTS, fostered by the strength of the dollar and a hearty bout of profit-taking, swept across the European bourses yesterday and left most centres easier.

Profit-takers had the upper hand in Frankfurt as investors largely ignored the ascent of the dollar and concentrated on relatively more pressing domestic matters such as the prospects of higher interest rates and the ailing bond market.

The Commerzbank index slipped 2.8 to 1,173.5.

Among the main movements, GHF dropped DM 10.50 to DM 151 while Linde suffered a higher but proportionally less damaging fall of DM 11.80 to DM 420.20.

BASF finished DM 2.30 higher at a new 12-month peak of DM 200.20 while Bayer's 60-pig gain took it to a high of DM 201.80.

VW's confirmation of a profit for 1984 failed to offset the bearish trend in car makers. It slipped DM 4.50 to DM 191.50. Porsche, however, enjoyed a further DM 4 rally to an all-time high of DM 1,273.

Dresdner led banks along the downward path with its DM 2.20 fall to DM 189 while insurer Munich Re returned to the higher levels of its recent trading range with a DM 1.10 sprint to DM 1,320. Fellow insurer Allianz eased DM 5.50 to DM 1,020 ex-rights.

A dearth of buyers was felt in a nervous bond market that took up to 80

basis points off many public issues. The Bundesbank extended its purchases of paper to DM 154.2m from Friday's buying level of DM 34.3m.

An underlying positive tone was detected in Amsterdam despite the profit-taking pressure that was applied to a broad range of stocks. The ANP-CBS index shed 0.6 to 203.5.

Royal Dutch moved against the trend on reports that it had increased its bid for the shares in Shell Oil it does not already own, suggesting that the deal may be concluded soon. The oil international firmed FI 1.70 to FI 204.5.

Banks recoiled with some sharp losses. NMB plunged FI 7.30 to FI 184.50 and ABN was FI 2 down at FI 393.

Bonds fell further in relatively quiet trading as investors were content to remain on the sidelines while the dollar firmed and upward pressure on U.S. interest rates mounted. The new 8 per cent state loan, for which subscription will be held at tender today, was an additional factor. Prices ended up to 30 basis points lower.

The weaker Swiss franc and rising short-term interest rates tempted Zurich shares lower although sufficient buying interest remained to keep the market stable.

Landis & Gyr eased SwFr 30 to SwFr 1,650 ahead of results while Ciba enjoyed a SwFr 50 rise to SwFr 2,900 after last Friday's trading statement. Insurers drifted lower led by Swiss Re, SwFr 20 cheaper at SwFr 9,450.

Bonds were narrowly mixed although the absence of many operators left most issues in the doldrums.

Profit-takers stalked a mixed Paris although declines only marginally outnumbered gains.

Ferret benefited by a rise of FFf 5 to FFf 542 while Thomson CSF moved FFf 3 higher to a 12-month peak of FFf 507.

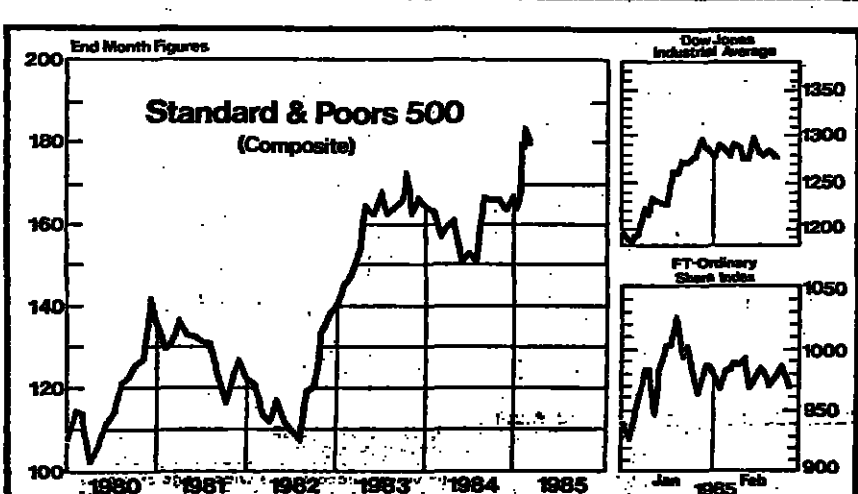
Moderate trading took Brussels higher although utilities encountered a rash of profit-taking. Electrolux, however, gained BFf 10 to BFf 6,300 and Tractebel ended BFf 50 higher at BFf 4,170 ahead of reports that the two groups may merge.

A broadly firmer Milan took Fiat L10 higher to L2,680 and Italcementi L790 to L82,990.

Utilities led a retreat in Madrid. Telefonica slipped 1.5 points to 123 per cent of nominal value on the first day of a Pta 32bn capital increase.

Vienna hit another record while Stockholm was dull ahead of a holiday period.

### KEY MARKET MONITORS



STOCK MARKET INDICES				
	Feb 25	Previous	Year ago	
NEW YORK				
DJ Industrials	1,273.19	1,275.84	1,185.10	
DJ Transport	820.02	825.11	510.89	
DJ Utilities	148.65	149.67	126.05	
S&P Composite	179.25	179.36	157.51	
LONDON				
FT Ord	968.0	975.2	818.1	
FT-SE 100	1,259.4	1,259.9	1,036.5	
FT-A All-shares	606.89	611.11	493.45	
FT-A 500	684.51	689.29	527.48	
FT Gold mines	441.4	468.2	652.5	
FT-A Long gilt	10.81	10.89	10.28	
TOKYO				
Nikkei-Dow	12,201.04	12,171.92	9,982.9	
Tokyo SE	961.02	958.85	771.73	
AUSTRALIA				
All Ord	787.4	785.2	743.8	
Metals & Mins.	477.4	471.1	518.3	
AUSTRIA				
Credit Aktien	71.82	70.09	55.53	
BELGIUM				
Belgian SE	2,238.01	2,231.85	-	
CANADA				
Toronto				
Metals & Mins	2,052.9	2,079.0	2,232.0	
Composite	2,565.7	2,591.2	2,402.0	
Financial Portfolio	128.35	130.05	118.48	
DENMARK				
Copenhagen SE	172.24	172.48	197.46	
FRANCE				
CAC Gen	205.1	205.8	182.7	
Ind. Tendance	110.5	110.5	86.5	
WEST GERMANY				
FAZ-Aktien	408.70	405.08	362.48	
Commerzbank	1,173.5	1,178.8	1,034.5	
HONG KONG				
Hang Seng	1,389.18	1,435.17	1,048.76	
ITALY				
Banca Com.	279.24	277.45	219.8	
NETHERLANDS				
ANP-CBS Gen	203.5	204.1	158.4	
ANP-CBS Ind	161.5	162.5	129.5	
NORWAY				
Oslo SE	325.83	326.45	243.64	
SINGAPORE				
Straits Times	814.76	810.9	1,022.76	
SOUTH AFRICA				
Gold	864.2	908.8	982.7	
Industrials	864.3	865.5	984.7	
SPAIN				
Madrid SE	113.36	114.25	83.46	
SWEDEN				
J & P	1,491.71	1,438.57	1,531.79	
SWITZERLAND				
Swiss Bank Ind	n/a	419.1	370.5	
WORLD				
Capital Int'l	194.0	193.5	178.9	
GOLD (per ounce)				
	Feb 25	Previous	Year ago	
London	\$284.75	\$289.00		
Zurich	\$284.25	\$286.45		
Paris (Baring)	\$285.66	\$286.65		
Liège	\$284.50	\$289.75		
New York (Apr)	\$284.10	\$286.50		

## The Bank of Hiroshima opens its London Representative Office on February 26th and extends a cordial welcome to businesses seeking total banking services in Japan.



Ring 01-623-2442

The Bank of Hiroshima, Ltd.  
London Representative Office  
Chief Representative: Terumichi Kondo  
18 King William Street, London EC4N 7BR UK  
Telex: 8814908 HIROLD G

The noren, Japanese equivalent of the welcome mat, hangs above the entrances of countless shops and businesses throughout Japan. Since 1878, The Bank of Hiroshima has been one of Japan's leading regional banks. With assets of more than US\$12 billion, its 163 branch network serves a broad base of corporate and individual clients in Hiroshima and western Japan. Please feel free to ring us for our latest Annual Report.

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**Continued on Page 25**



**Continued on Page 28**

**Continued on Page 28**



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Sales	Stock	High	Low	Open	Change	Sales	Stock	High	Low	Open	Change	Sales	Stock	High	Low	Open	Change
<b>TORONTO</b>																	
<i>Prices at 2:30pm</i>																	
<i>February 25</i>																	
3525	Aldi Price	\$45	44	45	+1/2	1350	Crescent	\$174	173	174	-	500	Loft One	\$11	11	11	-
200	Abdinos	\$165	165	165	-	15701	Cour Res	175	160	160	-	430	Loft Two	\$10	9	10	-
8430	Agri Inc	\$12	12	12	-1/4	35603	Denn Dew	330	330	325	-10	200	Loft Co	\$38	28	28	-1/4
200	Agri Inc	\$12	12	12	-1/4	35603	Denn A	330	330	325	-10	94507	Melton H	\$19	19	19	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn B	330	330	325	-10	2145	Melton I	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn C	330	330	325	-10	2145	Melton J	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn D	330	330	325	-10	2145	Melton K	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn E	330	330	325	-10	2145	Melton L	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn F	330	330	325	-10	2145	Melton M	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn G	330	330	325	-10	2145	Melton N	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn H	330	330	325	-10	2145	Melton O	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn I	330	330	325	-10	2145	Melton P	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn J	330	330	325	-10	2145	Melton Q	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn K	330	330	325	-10	2145	Melton R	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn L	330	330	325	-10	2145	Melton S	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn M	330	330	325	-10	2145	Melton T	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn N	330	330	325	-10	2145	Melton U	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn O	330	330	325	-10	2145	Melton V	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn P	330	330	325	-10	2145	Melton W	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn Q	330	330	325	-10	2145	Melton X	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn R	330	330	325	-10	2145	Melton Y	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn S	330	330	325	-10	2145	Melton Z	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn T	330	330	325	-10	2145	Melton AA	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn U	330	330	325	-10	2145	Melton AB	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn V	330	330	325	-10	2145	Melton AC	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn W	330	330	325	-10	2145	Melton AD	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn X	330	330	325	-10	2145	Melton AE	\$40	40	40	-
200	Agri Inc	\$12	12	12	-1/4	35603	Denn Y</										

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**7** It may indicate disinterest in Welsh Rugby (5)

**8** Genuine support for a team of stars (8)

**9** Disturb the master flow (6)

**16** He is hostile, letting out Alsations (9)

**17** Startish disclosed by tides or a storm (8)

**19** Asian sailors? (6)

**20** Honour a relation (7)

**21** Attacks the copper with acid (6)

**23** Doesn't lose in cutting the cattle? (5)

[illegible]

## INSURANCES

[illegible]











## CURRENCIES MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## \$ pushes all but yen aside

Central banks were again forced to stand to one side and watch the dollar continue its record-breaking run on the foreign exchanges. Speculative demand for the U.S. currency continued at a very high level, while end-of-month book squaring may have helped add additional support. From the opening the market appeared to be moving only one way, and in spite of rumours about possible intervention by the Bank of Japan earlier in Tokyo, the Japanese central banks declined to enter the market on fears that any reasonable scale of action would be swept aside.

This was virtually proved when dollar selling suddenly developed around lunch time. It was reported to come from South Africa, and dealers estimated that about \$500m were sold to buy other currencies but as soon as these sales dried up the dollar rushed up again.

The dollar rose to another 134-year peak of DM 3.4510 from DM 3.3870, to a record FF 163.80 from FF 163.37, and to SwFr 2.1615 from SwFr 2.1555. The Japanese yen was also very strong, but Japanese dealers noting demand for the currency from Japanese companies near the end of the financial year. The dollar fell

to Y262.00 from Y262.75.

On Bank of England figures the dollar's index rose to a record 157.1 from 155.1. STERLING—Trading range against the dollar in 1984-85 is 1.4940 to 1.0545. January average 1.1274. Exchange rate index fell 0.5 to 79.9, after opening up 0.2 to 80.2, and gradually declining to 71.3 at 3 pm. Six months ago the index was 77.8.

Sterling held reasonably firm against all currencies except the dollar and yen before lunch, but was unable to hang on to the \$1.06 level and eventually lost ground to most Continental currencies as well. It touched a low of \$1.0525 and closed 2.25 cents down on the day at \$1.0540. Earlier in the day reports of more miners returning

to work, as well as high London interest rates, supported the pound against other currencies, but it eventually fell to DM 3.6625 from DM 3.65; FF 11.15 from FF 11.1550; and Y270 from Y269, but closed unchanged at SwFr 3.08.

D-MARK—Trading range against the dollar in 1984-85 is 3.4510 to 3.1555. January average 3.1888. Exchange rate index 117.3 against 123.5 six months ago. The D-mark continued to take most of the pressure, as the dollar rose to further records in very hectic Frankfurt foreign exchange trading. Dealers described the demand for the dollar as almost entirely speculative, with little corporate demand to back it up, but that the buying was encouraged by

the continued absence of the central banks from the market. The dollar closed in Frankfurt at another 184-year high of DM 3.4510, exactly 6 pfennigs above Friday's finish. Earlier in the day it was fixed at the highest level since August 6 1971, when exchange rate parities still existed. Without any intervention by the Bundesbank the dollar was fixed at DM 3.4975 compared with DM 3.38 on Friday. The Japanese yen was also very strong, rising to a record 131.05 per 100 yen, compared with 128.58 on Friday. Sterling fell back to close at DM 3.6450 from the fixing of DM 3.6550.

STERLING EXCHANGE RATE INDEX (Bank of England)		
	Feb 25	Previous
8.30 am	71.5	71.5
9.00 am	71.5	71.5
10.00 am	71.4	71.5
11.00 am	71.3	71.5
Noon	71.2	71.5
1.00 pm	71.3	71.5
2.00 pm	71.2	71.5
3.00 pm	71.2	71.4
4.00 pm	70.9	71.5

£ in New York		
	February 25	Prev. close
1 month	1.0540-1.0547	1.0528-1.0529
3 months	1.0540-1.0543	1.0528-1.0529
6 months	1.0540-1.0543	1.0528-1.0529
12 months	1.0540-1.0543	1.0528-1.0529

## Prices fall

Prices fell on the London International Financial Futures Exchange yesterday, as the dollar continued to break records on the foreign exchanges. Eurodollars for March delivery opened at the day's low of 90.46 and attracted some buying interest on Life, although the market remained concerned that U.S. interest rates may not fall despite the strong dollar, following comments made by Paul Volcker, chairman of the Federal Reserve Board, last week. Dealers reported that the rise to 90.51 was largely the result of short covering, and that Chicago appears particularly bearish about the prospects for U.S. interest rate contracts at present. March Eurodollars closed slightly

down on the day at 90.47 compared with 90.49 previously.

U.S. banks were reported to be sellers of Eurodollar and U.S. Treasury bond futures. March bonds opened at 89.22, and were around the same level on the Chicago opening, and were then chased up to a peak of 89.29, which is close to a chart support level, before falling back on U.S. selling to close at 89.12, compared with 70.05 on Friday.

Three-month sterling deposits began steadily at 86.16, reflecting little change in money market rates, but fell to close at 86.04, after a low of 85.99, as both the short sterling and gilt contracts followed the pound down against the dollar.

U.S. TREASURY BONDS 5% \$100,000 20th of 100%			
	Close	High	Low
March	89.12	89.29	89.05
June	89.12	89.29	89.05
Sept	89.12	89.29	89.05
Dec	89.12	89.29	89.05

CHICAGO			
U.S. TREASURY BONDS (CBT) 5% \$100,000 20th of 100%			
	Close	High	Low
March	89.12	89.29	89.05
June	89.12	89.29	89.05
Sept	89.12	89.29	89.05
Dec	89.12	89.29	89.05

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VALUE OF STERLING	COUNTRY	CURRE
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## FINANCIAL TIMES SURVEY

## NIGERIA

## PART TWO: PART ONE APPEARED YESTERDAY

As Nigeria continues to reduce its import levels, traditional suppliers face new competitors, and counter-trade looks likely to increase. The key issue in 1985 is how industrialists will cope with the challenge.

## Shift in the trade pattern

LAST YEAR will be remembered as the one in which Black Africa's largest trading economy finally began to cut its coat according to its cloth.

Imports were cut back savagely to 60 per cent of the peak level of 12bn naira recorded in 1980-82, and are due to be more than halved again in 1985 to N3.15bn.

The "squandering of riches" which outraged Nigerians under the ousted civilian regime was significantly reduced in 1984, both because of the strict principles of foreign exchange budgeting adopted by the military—and because a lean year on world oil markets meant there were precious few riches to squander.

The largesse of the civilians, who openly distributed import licences as a form of political patronage, was succeeded by the austerity of a military regime which came to power on a platform of moral opposition to such excesses. Buying and selling of import licences has not ceased—but the concentration of power in fewer hands has much reduced its scope and to a large extent forced it underground.

The civilian government's practice of extracting easier credit terms from unwilling exporters by delaying payments by anything up to 18 months or two years—a policy which led to serious inflation of import costs as exporters added finance charges to their prices—

By PATTI WALDMER

largely came to an end under the military. Delays on current trade payments were kept down to a manageable 30 to 40 days for much of the year.

The new regime made clear its intention to repay an inherited backlog of overdue trade debts estimated at US\$7bn to US\$8bn—while maintaining that many of the debts were of dubious legitimacy—and it has successfully rescheduled the uninsured portion of the debt. Although the issue of promissory notes to cover the rescheduled debt has so far been tortuously slow, notes totalling \$250m have been issued and a further \$300m issue was due out on February 21. The bulk of the notes—a further \$2bn—is not expected before June and bankers believe the exercise may not be completed this year.

At the same time, what could prove a fundamental shift in traditional trading patterns has begun to emerge with the conclusion in September of 1984

counter trade deal with Brazil (see separate article). Trade officials believe the deal could propel Brazil into first place as Nigeria's largest supplier, a spectacular rise in market share from the 1.5 per cent held by the country in 1983.

## Big new trade deal with Brazil

While major discrepancies in trade statistics between various official sources make it difficult to gauge just how much has been accomplished, there seems little doubt that the military has presided over the return of a measure of sanity to Nigerian trade.

The rough-and-tumble of commerce which clogged Lagos thoroughfares in 1983 has been much subdued: the stalls of petty traders perched precariously on the kerbside (displaying everything from skin-lightening cream to champagne, a banned import) have largely been cleared away, and the range of goods on sale from itinerant pedlars who swarm the streets during the inevitable Lagos "go-slow" has narrowed considerably.

The Nigerian workforce has paid a high price for the return to sanity, in the form of sharply higher food prices and hundreds of thousands of job losses. But, for industry, it appears to have

provided an Indian-summer of prosperity. Import shortages have allowed firms to clear inventories and the political atmosphere has been ripe for the retrenchment needed to cut costs. "For many firms it's a case of turnover down by half, profits up by two to four times," says one seasoned industry analyst.

Nineteen Eighty-four was essentially a year of fat trimming. The question is whether there will be more to trim in 1985, or whether austerity will bring more fundamental changes," says another.

## Industry looks for import substitutes

The signs of such change are already apparent. For the first time since the industrialisation boom of the 1970s and early 1980s, Nigerian firms are taking import substitution seriously. Led by the agro-allied industries of brewing, soft drinks, soaps and textiles, local firms are researching the possibility of developing a domestic resource base.

They have little choice. Dependent on imports for 70 per cent of raw materials and component needs, Nigerian industry has become a hostage to the international oil market, which determines availability of foreign exchange for imports.

The days of easy access to imports at prices made ridiculously cheap by the overvalued exchange rate are over—and the Government has made it clear it will not flinch from allowing those firms which cannot reduce their dependence on imports to go to the wall.

Admittedly, the import substitution drive has so far barely got off the ground—due partly to the failure of Government to clear away bureaucratic obstacles to such ventures and partly to austerity itself, which limits the availability of investment funds. The process has, however, begun.

What is clear is that any major structural adjustment of Nigerian industry away from import dependence is still several years away. In the short-term, the legacy of years of failure to adjust will be a further decrease in output—industry is already reckoned to be working at only 30 per cent of capacity—and temporary or permanent shutdowns.

The message to exporters from all this remains clear: with somewhere around 100m people, substantial if diminished oil revenues and a crippling dependence on imports, Nigeria is still the most important export market in black Africa.

Yet, what may determine the market share of major export-

ing countries in the next year is both the ability to provide tied finance—and, increasingly, the willingness to import Nigerian oil to counterbalance export transactions.

## Offshore financial arrangements

A number of companies were forced to arrange their own offshore finance through their overseas suppliers in 1984 or face shutting down for lack of imports—a situation which is likely to worsen in 1985. Peugeot, which arranged a US\$200m credit from its house banks in France in 1983 to avoid a shutdown of its Kaduna assembly plant repeated the exercise last year, while SCOA (a major French trading house), and Guinness Nigeria also did similar deals with their overseas affiliates.

Much more significant are the number of counter-trade deals concluded in 1984 or under discussion for this year. Brazil's agreement to purchase some 40,000 barrels per day of Nigerian oil in exchange for US\$500m in raw materials, spares and equipment has been the most widely publicised, but a number of other companies are believed to have been asked

CONTINUED ON NEXT PAGE



Food remains a major import, despite the fall in trade.

## IN THIS SURVEY

● TRADE SECTION:	
New import procedures: a welcome cutback in red tape	18
Flour-milling industry: bread is now big business	19
Inspection of imports: new monitoring system introduced	19
● ENERGY SECTION:	
Oil industry: options leave little room to manoeuvre	20
Interview with the Oil Minister, Prof. Tan David-West	21
Oil refinery projects: plans are now in the balance	21
Natural gas: vast resources remain untapped	22
Electricity supplies: major improvements under way	23
Thermal power: Igin project brightens city's future	23
● AGRICULTURAL SECTION:	
Farmers win a much-needed boost in the short-term	24
Agricultural investment: Government's new incentives	24
The Agricultural Development Programme: profiles	25
Poultry farming: sector has great market potential	26
Fertiliser distribution: supplies improving quickly	27
● BUSINESS GUIDE:	
Advice for overseas business visitors	28
● IN PART ONE:	
The first part of this survey, which appeared yesterday, examined major developments in the political scene as well as the economy and industrial and construction sectors. There was also a business guide with key information for overseas visitors to Nigeria.	
● This 28-page survey was written by a team of FT correspondents who travelled extensively in Nigeria: Michael Holman, Africa Editor; with Patti Waldmeir, Andrew Gowers, Tony Hawkins and Peter Blackburn. The business guide sections were compiled by Elizabeth Meek. Picture research was by Non Morgan with photographs by Ashley Ashwood.	

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# Trading becomes easier as red tape is reduced

Military Government wins high marks from importers

AFTER SIX years of striking dread into the hearts of those who trade with Nigeria, the notorious "Form M" could soon become just another essential document.

Introduced in 1979, the Form M is officially described as an application to purchase foreign exchange for imports. Without an approved Form M, it is impossible legally to import goods into Nigeria.

By the end of the civilian regime, there can hardly have been a document in Nigeria which caused so much anxiety. Major companies employed staff who did nothing but chase Form M applications at either the Central Bank or the commercial bank through which the application was channelled.

The incidence of delays and loss of the forms by the Central Bank was so high that importers logged four or five applications for the same transaction in the hopes that one would eventually penetrate the bureaucracy.

One of the first things the military did after taking power on New Year's Eve, 1983, was to implement a plan of the Shagari regime to decentralise foreign exchange allocations, taking the drudgery out of the process by authorising commercial and merchant banks to open Forms M on the Central Bank's behalf.

Banks were given monthly allocations of foreign exchange by sector, and were allowed to open Forms M for their customers up to the pre-set ceilings.

The move earned the new government high marks from importers, who cite the measure as a major factor in streamlining 1984 import procedures.

While stressing that improve-

ments were relative—trading with Nigeria still requires a formidable degree of patience, persistence and slavish attention to detail—importers point to two other measures which made trading much easier last year.

Abolition of the compulsory advance deposit scheme which required buyers prior to importation to make an interest-free deposit with Central Bank varying from 10 per cent for raw materials to 250 per cent for luxury goods.

The benefits of the change have proved to be short-lived, however, as a system of advance payment of import duties (which are generally lower than the fixed advance deposits) has been re-introduced for 1985.

Most importantly, the reduction in delays on current trade payments which reached six months or more in 1983. Steps were taken to reschedule debts incurred through the end of 1983 and delays on current

trade payments in 1984 were brought down to a manageable 30-40 days (although this timetable shipped occasionally). This enabled overseas banks to keep confirming lines rolling over smoothly throughout most of the year.

Importers were understandably concerned when Major-General Buhari announced in his New Year's Day budget speech that the banks' foreign exchange allocations had been withdrawn, raising fears that long delays in Form M approval would again become the norm.

Subsequent instructions from Central Bank seem to indicate that these fears are unfounded. Banks have been authorised to open Forms M almost automatically on presentation of a valid import licence.

The new system assumes that the Ministry of Commerce will observe sound principles of foreign exchange management and issue only as many licences as there is foreign exchange to pay for them. Further verification of cover thus becomes unnecessary, making the Form M—at least, in theory—just a formality.

## Anomaly

The Central Bank will be keeping close tabs on the volume of Forms M issued by banks, spot, and over-allocation of licences by the ministry which would leave the Bank with more claims for foreign exchange than it could meet. The system could be short-lived.

If it lasts, it will remove an anomaly in the 1984 procedures where banks were often unable to match their foreign ex-

change allocations to confirming lines abroad.

Established banks were given large allocations which they were unable to find confirming lines to cover, while newer banks with access to large confirming lines from overseas partners eager to break into the Nigerian market found their allocations too low.

Despite the improvement listed above, trading with Nigeria remains a formidable challenge. The following hints from seasoned traders are worth keeping in mind:

Complete all forms with scrupulous accuracy as even a trivial mistake like a spelling error can cause documents to be rejected or delayed.

Keep multiple photocopies of every one of the scores of required documents, (but do not expect a copy to be accepted in place of a lost original).

Choose your bank carefully. Some are much more efficient at processing Forms M, forwarding them to the correct inspection agency and opening letters of credit, than others. Keep in mind that some of the newer merchant banks have access to fairly high confirming lines overseas.

Plan ahead, remembering that the average delay from issue of import licence to shipment of goods is three to four months.

Follow all regulations to the letter, no matter how trivial or illogical they may seem. Above all, keep your calm—and remember that the military government is essential for trading with Nigeria.

## A shift in the trade pattern

CONTINUED FROM PREVIOUS PAGE

to submit counter-trade proposals to cover imports of items such as vehicle assembly kits, and 1985 could see the conclusion of several more such deals.

The advantage to Nigeria is that counter-trade deals guarantee virtually automatic access to trade finance—at a time when Western export credit agencies have suspended medium term cover for Nigeria and are rolling over short term cover at fairly low levels, and when banks are still reticent about providing confirming lines to Nigeria.

The disadvantage is that such deals can prove costly, as they reduce competition among exporters by guaranteeing suppliers a set share of the

market without offering importers the opportunity to negotiate directly with suppliers over quality and especially price. And, there are doubts that the deals under discussion actually bring Nigeria new customers for its oil—in several cases existing exports would simply be diverted to counter-trade arrangements which many oil officials worry could mask discounts on the official price of Nigerian crude.

## Market share

For Nigeria's traditional suppliers—Britain, France, the U.S., West Germany and Japan—such deals pose a serious threat to a market which for many is their most important in Black Africa.

The Brazilian arrangement, set initially at \$500m but likely to be increased before year-end, could boost Brazil's exports from \$195m in 1983 to around

\$1bn this year, making it Nigeria's largest supplier. Among Nigeria's traditional suppliers, France alone increased its exports in 1984, to FF8.8bn from FF7.7bn the previous year, largely due to the sale late in the year of four Airbus aircraft to Nigeria Airways.

French companies are believed to be among those considering counter-trade arrangements for 1985.

Britain's exports stagnated at \$768m down slightly from the \$800m total achieved in 1983. West Germany's export volume with exports falling 44 per cent in the first nine months of 1984 over the same period of 1983, under the continuing influence of a drop in capital goods imports and the apparent reluctance of German banks to provide confirming lines to Nigerian banks.

There is little doubt that the military's determination that Nigeria must live within its

means leaves only limited room for manoeuvre in 1985. The 1985 budget assumes food imports of a mere N375m—one third of 1984 levels and less than a fifth of peak 1981 imports of N2.2bn. If adhered to, this budget will cause a severe shortage of imported Western foods like bread and rice on which potentially restive urban populations have come to depend.

And to live within the N1.9bn budget for capital goods and raw materials imports—slashed from U4.2bn in 1984—will almost certainly require widespread factory shutdowns and many thousands more job losses which could strain the patience of a workforce for whom frugality has already meant severe hardship. It is a risk, however, which the military government believes is worth taking as the price for securing economic balance.

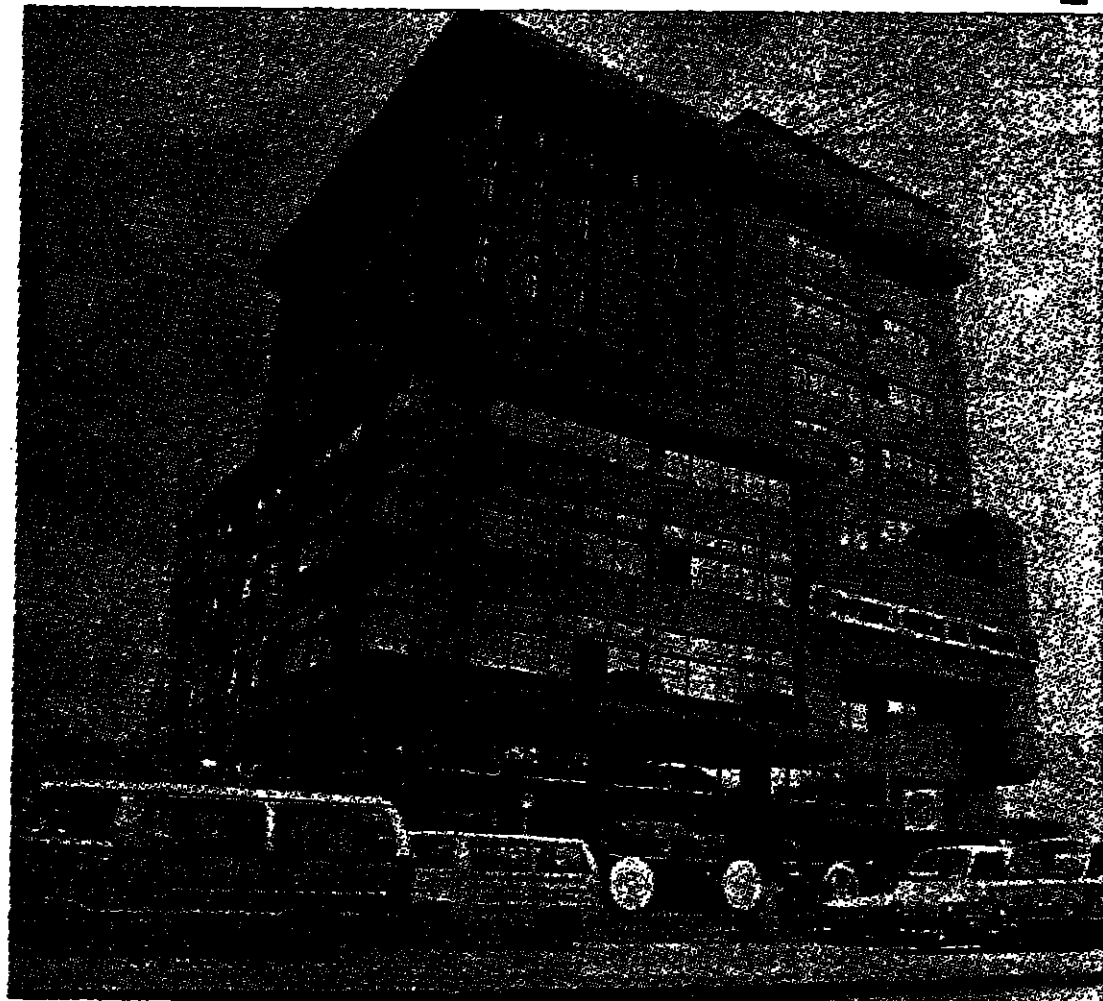
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## Trade

## NIGERIA 19

# The bread boom brings unprecedented growth

LOOKING ACROSS Lagos harbour from the Marina towards the port of Apapa, the eye is caught by a line of huge wheat and cement silos glinting in the sun.

They are part of a sprawling complex owned by Flour Mills of Nigeria. When the present extensions raising grinding capacity by 45 per cent to 3,200 tonnes of wheat a day is completed it will become the world's largest.

Flour Mills is the leading member of the Golden Penny group consisting of the Northern Nigeria Flour Mills, Kano, Maiduguri Flour Mills and Niger Mills, Calabar which together account for nearly two-thirds of the country's flour milling capacity.

Flour Mills' tremendous growth since it first started production in 1962 has accompanied a profound change in Nigerian eating habits.

Bread, practically unheard of except among the elite at independence in 1960, has now become part of the staple diet. Rapid urbanisation has encouraged bread consumption especially in large cities such as Lagos, Ibadan and Kano.

"Bread is so much more convenient than gari or yams and cheaper than rice," a Nigerian businessman pointed out. "Can you imagine pounding yams in a 9th storey flat?"

another asked. Lagos office commentators buy bread from small boys laden with trays of polythene-wrapped white loaves patrolling traffic bottlenecks.

Bread is both nutritious and still fairly cheap although President Buhari recently criticised "heartless hoarders" for pushing up flour prices.

The Golden Penny group is trying to depress high black market prices by selling 85 per cent of its production directly to bakers and thus avoiding unscrupulous middlemen. The remaining 15 per cent is sold directly to large flour dealers.

The political importance attached to bread is reflected by the high priority accorded the country's ten flour mills in the initial allocation of 1985 import licences.

The mills' first quarter allocation of some N160m should

## Flour-milling industry

PETER BLACKBURN

enable them to operate at about 80 per cent capacity, according to analysts.

Last year Nigeria imported 1.7m tonnes of wheat at a cost of some \$350m. The International Wheat Council estimates 1985 wheat requirements at 1.5m tonnes which at current prices would cost nearly \$300m. About 95 per cent of Nigeria's wheat imports come from the U.S. which help to reduce a massive bilateral trade deficit due to heavy American imports of Nigerian oil.

Efforts are being made to grow wheat locally in the Bakolori Basin Sokoto, Tika Dam Basin Kano and the Chad Basin Maiduguri.

Some 40,000 tonnes of wheat is now grown locally though this is mainly of soft varieties and unsuitable for breadmaking.

Because of the unsuitable climate the schemes require extensive irrigation and are extremely expensive. "The same capital investment would yield more rice and maize, an agricultural expert pointed out."

Flour mills of Nigeria plans to grow its own maize which is used for producing Semovita (semolina). It has taken a long-term lease on 50,000 hectares and intends to grow up to 100,000 tonnes of maize annually during the first phase of its programme.

Semovita is the local brand name for semolina and is produced along with macaroni,

spaghetti and soft flour for biscuits at the Apapa mill.

Northern Nigeria Flour Mills recently commissioned a 250 tonne a day maize mill at Kano. Experiments are also being conducted to partly substitute yam for wheat flour in bread making so as to help reduce imports.

With flour consumption rising by an estimated 10 per cent annually as a result of the twin impulse of population and urban growth, there are plans to increase the country's flour milling capacity by 50 per cent to 3m t/yr.

Five schemes to extend or build new mills are either planned or under construction, according to industry sources.

The largest extension is that of Flour Mills of Nigeria. It is now 80 per cent complete but the importation of the remaining machinery depends on Government approval of import licences.

President Buhari recently laid the foundation stone of a N63m flour and feed mill near Uromi, in Bendel State. The complex will have a 200 tonne-a-day flour mill and a 240 t/d feed mill and two storage silos with a combined capacity of 30,000 tonnes. It is being built by an Austro-German consortium and is nearly 90 per cent offshore financed.

## Flour milling capacity

- \*1 Flour Mills of Nigeria, Apapa. Capacity 2,200 tonnes/day of wheat
- \*2 Northern Nigeria Flour Mills, Kano. 1,400 t/d
- \*3 Maiduguri Flour Mills, Maiduguri. N/A
- \*4 Niger Mills Limited, Calabar. 880 t/d
- \*5 Life Flour Mills Ltd, Sapele. 1,200 t/d
- \*6 Ideal Flour Mills Ltd, Kaduna. 300 t/d
- \*7 Nigerian Eagle Flour Mill, Ibadan. 200 t/d
- \*8 Fort Harcourt Flour Mills, F.H. 600 t/d
- \*9 Crown Flour Mills Ltd, Apapa. 350 t/d
- \*10 Sunrise Flour Mills Ltd, Enugu. N/A
- \* The Golden Penny Group.

Observers point out that the flour milling industry directly employs nearly 9,000 people and that Flour Mills of Nigeria is the second largest private sector employer after — the trading and manufacturing company VAC, part-owned by Unilever.

In addition, the flour mills provide indirect employment for about 100,000 bakers, biscuit-makers, packers and transporters. However, some experts question whether it is prudent for the Government to encourage the continued expansion of the heavily import-dependent flour-milling industry when the acute foreign exchange shortage is likely to persist for several more years.

A new counter-trade deal could catapult Brazil into first place as the largest exporter to Nigeria, displacing Britain, as Patti Waldmeir reports here.

# \$1bn trading deal with Brazil

IN THE Brazilian coastal city of Salvador, elderly residents still surprise African visitors by speaking Yoruba, the language spoken by the first slaves to arrive in the country from West Africa.

Back on the continent's West Coast the descendants of these slaves—the Da Silva's and Da Fonseca's of Nigeria—still hold prominent positions in the West African elite.

Up until the mid-19th century trade flourished between Brazil and the ancient kingdoms of Yorubaland (in present-day Nigeria) and Dahomey (now Benin) through the intermediary of European traders who sold slaves to work Brazil's coffee and cocoa plantations in exchange for Brazilian gold.

Over a century later Brazil is poised to resume its place as one of Nigeria's most important trading partners following the conclusion of a \$1bn counter-trade deal publicly hailed by both sides as an example of enlightened South-South co-operation.

Trade officials say the deal could catapult Brazil into first place as the largest exporter to Nigeria, displacing Britain, the former colonial power which has been Nigeria's preferred partner since independence.

Britain's exports to Nigeria fell to \$768m in 1984 from a peak of \$1.4bn in 1981. Brazil's exports slumped as well, falling

to \$195m in 1983 from \$770m in 1981, but they began to recover early last year, reaching \$470m for the first nine months alone, and officials believe 1985 exports could reach \$1bn.

Much will depend on the success of the counter-trade deal, under which Nigeria will supply about 40,000 barrels of crude oil per day to Brazil over the 12 months to September 1985 in return for \$500m worth of urgently needed raw materials, spares and manufactured goods from Brazil.

Both sides are quick to point out that this is not a classic barter deal, as cash payments are made through an escrow account set up for this purpose by agent bank United Bank for Africa in New York. The account is cleared monthly.

## Oil supplies

The arrangement involves independent contracts between the Nigerian National Petroleum Corporation (NNPC) and Petrobras, the Brazilian state oil company, and between the Nigerian Government and Cotia Comercio Exportacao e Importacao, the largest private trading company in Brazil.

The oil supply contract builds on an existing arrangement between the two companies under which Petrobras uses its spare refinery capacity to process

about 50,000 b/d of Nigerian crude for re-export to Nigeria as fuel products. Under the new arrangement, NNPC will supply Petrobras with a further 40,000 b/d for its own needs, with no arrangement for the re-export of products.

Prof. Tam David-West, Nigeria's Oil Minister, has said the oil is included in the country's Opec quota.

The separate Cotia-Nigerian Government agreement covers supplies of the following items: sugar, salt, raw cotton, steel

products, chemicals (including synthetic fibres), paper, agricultural equipment, spares (including completely knocked down (CKD) vehicle assembly kits from Volkswagen Brazil), soybeans, iron ore, tyres, building materials, refractory bricks, ferrous alloys and non-ferrous metals. Cotia officials stress that other items can be included after negotiations.

Top officials of Nigeria's Ministry of Finance are believed to have opposed granting Cotia a monopoly over a volume of trade which represents 13 per cent of the country's total 1985 vehicle imports budget of N 3.15bn. They argued that Cotia would have little incentive to ensure that prices were competitive. NNPC officials also opposed it, fearing that the provisions of the deal could mask hidden discounts on the crude

price. Indications are that the limited volume of goods which has come in so far has been competitively priced, and there appears to be demand among importers for the special import licences issued under the agreement because letters of credit for such transactions are confirmed virtually automatically. This saves weeks of delays in arranging confirming lines overseas.

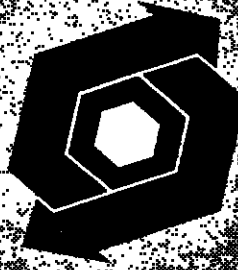
## Precedent

However, many Nigerians feel that the issuing of such licences—which specify that the goods must be purchased from Brazil at a price agreed between the Government and Cotia and not subject to negotiation by the importer—could be a dangerous precedent.

Importers who are not satisfied with the quality or price of the goods have no choice but to leave the licence unutilised, scarcely an option for most import-starved companies.

But Brazilian and Nigerian officials argue that the deal is a natural response to the serious liquidity problems of the two sides—Cotia calls them "partners in trouble"—and chances appear good that the flow of goods under the agreement could total closer to \$700m than the \$500m originally envisaged.

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The new pre-shipment monitoring system

## Rush to clear backlog

### Inspection of imports

PATTI WALDMEIR

A CLUSTER of portakabins and a converted canteen at Witham, Essex, the temporary headquarters of Cotecna International, has become the nerve centre of an operation to monitor British exports to Nigeria which totalled over \$750m in 1984.

Cotecna International is one of a handful of international inspection companies which learned somewhat to their surprise last September that they had landed lucrative contracts to police worldwide exports to Nigeria in place of SGS, formerly the country's sole inspection agents.

The abrupt dismissal of the Geneva-based Societe Generale de Surveillance, the world's largest trade inspection group, added an unwelcome twist to the already tortuous business of exporting to Nigeria.

For the first six weeks after SGS was sent packing—apparently because it fell foul of internal Nigerian politics—confusion reigned supreme.

Ad hoc inspection arrangements were set up and then cancelled overnight, leaving a vacuum into which few exporters were willing to step. Many suspended shipments altogether until the dust began to settle towards year-end.

For the six years up to the September 90 dismissal, SGS had exercised a monopoly over pre-shipment inspection of the quantity, quality and price of virtually every export to Nigeria—an immensely powerful role to play in a country where vast fortunes are amassed through trading.

While there can be little doubt that SGS protected Nigeria from many an over-invoicing swindle, especially in the boom days of the early 1980s when imports reached N12bn per year, SGS' monopoly role was still the subject of frequent public criticism.

Judicious leaks of Central Bank figures showing, for example, that the company saved Nigeria foreign exchange worth N408.7m in 1982 alone helped to diffuse these periodic crises.

When the military took power on New Year's Day last year the attitude towards SGS appeared to harden. Although there has been no public explanation of the dismissal, it is believed that the decision to sack SGS came from the Supreme Military Council in the face of opposition from

senior civil servants.

Three consortia were appointed to take over from SGS: Cotecna International was appointed to cover Britain, Ireland and Asia. A new company, it was set up by three existing inspection firms, Swiss-based Cotecna Inspection SA, Daniel C. Griffith of the UK and Overseas Merchandise Inspection (OMI) of Japan.

Bureau Veritas was given responsibility for Continental Europe and Africa. Bureau Veritas sub-contracts inspection of food imports to Thionville of the U.S.

The Americans are covered by Swede Control/Intertek.

While the new companies were gearing up to take over (their contracts were not signed until October 31), exporters were instructed to ship goods to Lagos for inspection on arrival by a government Destination Task Force. However, few risked doing so, fearing that that team might force unrealistic price cuts on arrival, or that its inspection certificates might not be honoured for payment by the Central Bank.

## Closures

By mid-November it looked increasingly unlikely that exporters could get goods inspected by the new companies—none of whom had ever handled a national pre-shipment inspection contract of comparable size and range—and shipped before import licences, Forms M and letters of credit expired at the end of December. A number of Nigerian companies announced that they had had to shut down because of import shortages caused by the disruption but the Central Bank stepped in to ease pressure by extending the validity of import documents to allow shipment up until the end of February. There has since been a subsequent extension until the end of April.

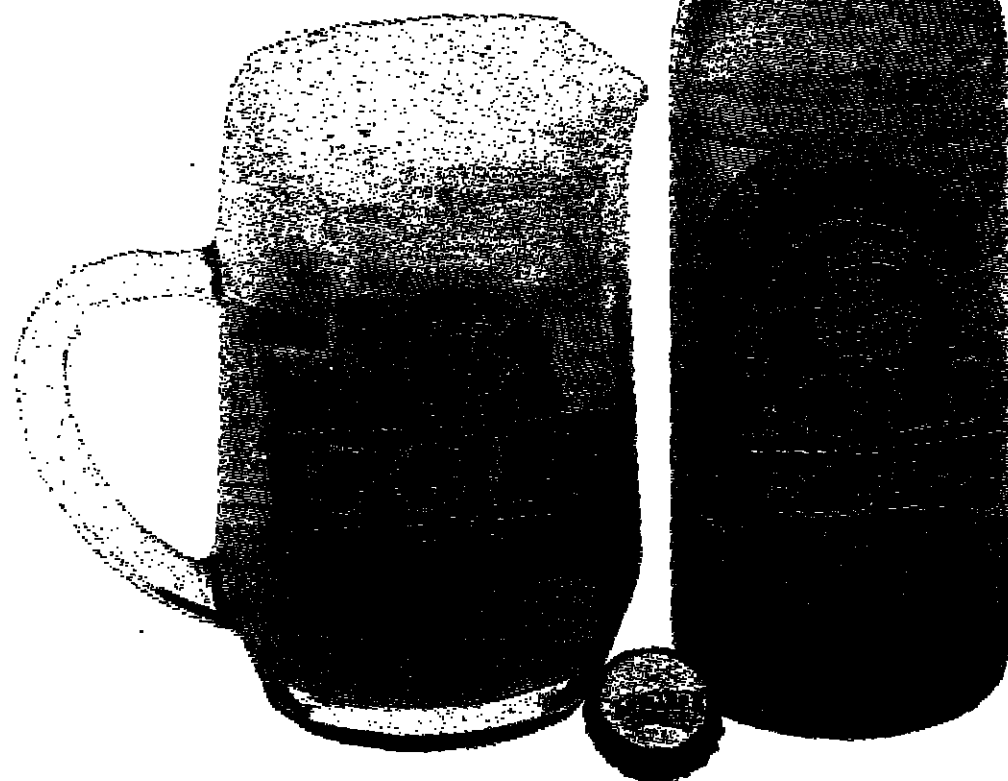
Since that time the new companies have been struggling to clear the backlog of inspections which built up during the hand-over period, with Cotecna estimating that its current volume of work is three times the norm.

While exporters continue to tell isolated horror stories of missed deadlines and phones which ring unanswered for hours at makeshift inspection offices, the general impression is that the new companies are coping as well as can be expected in view of the short lead-time granted them.

Exporters complain of serious delays in arranging inspections of missed deadlines and telephones which ring unanswered for hours at makeshift inspection headquarters. But the general impression is that the companies could hardly be expected to do much better in view of the short-term lead time granted them.



## NIGERIA 20



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Give us the chance to sell our oil: Opec's pricing structure and production quotas will be a trial again this year for Nigeria

## Oil: little room for manoeuvre available

AS WINTER recedes and spring approaches, Nigeria's vital oil industry is once again perched on a knife edge.

With a deepening hunger for foreign exchange, and at least nominal commitment to Opec (the Organisation of Petroleum Exporting Countries) and, above all, a need to keep its oil competitive with comparable crudes from the North Sea, the country has very little room for manoeuvre.

January's Opec pact, in which Nigeria agreed to raise the price of its premium Bonny light crude back into line with the Opec structure at \$28.65 a barrel, has succeeded in re-introducing a measure of stability into the volatile world market.

But that calm could be deceptive. No one in the industry is in any doubt that the cracks papered over in January could reopen at any time. And many observers are sceptical that Nigeria, ever regarded as Opec's weak link, can sustain the level of sales that it so desperately needs at the new price.

Whatever Nigeria's qualms about the next few months in the oil market, though, it can look back on 1984 with a fair degree of satisfaction. For it was the year in which Nigeria had its cake within Opec and ate it outside.

The country emerged into 1985 with a permanently increased production quota and virtual—if uneasy—acceptance of its right to cut oil prices to match those of North Sea crude, even if that means stepping outside the official structure.

### Firm style

That it achieved both while remaining within the fold is in large part a tribute to the new firm style of the military Government.

From his very first days in office, Major-General Muhammadu Buhari, the head of state and, as a former Oil Minister, a man with considerable experience of the sector, has reaffirmed his commitment to the Organisation, while doggedly pursuing a claim to be allowed to produce more than Nigeria's quota of 1.3m barrels per day (bpd).

The importance of that claim can scarcely be underestimated. Oil still accounts for up to 97 per cent of Nigeria's foreign exchange earnings and at least two-thirds of Government revenue. But production has plummeted from its 1979 peak of 2.4m bpd, and the price has tumbled from \$40 a barrel to its current level of \$28.65.

In 1983, Nigeria even had trouble meeting its full quota. Production in that year, averaging just over 1.2m bpd, was at its lowest level since the oil boom began. With oil earnings down to around \$10bn from their 1980 height of \$22bn, the resulting squeeze on the economy was nothing short of catastrophic.

With this in mind, and with an eye to the main chance of a marginally firmer world market, Gen Buhari's Government quietly began stepping-up production early last year. Output rose to a peak of 1.57m bpd in March, its highest level since the previous July.

Naturally enough, this development did not escape the attention of Opec, which was still struggling to maintain a fragile stability following the upheavals of 1983.

In February last year,

By ANDREW GOWERS

Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, paid a surprise visit to Lagos—the new Government's first ministerial visitor. His mission was apparently two-fold: to persuade Nigeria to rein in its production in the interests of Opec, and, in return, to lend public support to Nigeria's demand for a larger output quota.

In due course, and with the customary softening of the oil market in spring, Nigeria fell in line. In May, production fell as low as 1.19m bpd.

It was time for Prof Tam David-West, Nigeria's colourful Oil Minister, to make his big play for an increase in quota.

And at Vienna, ministerial meeting in July, to the astonishment of many in the industry, this is precisely what he got—albeit a smaller rise than he was seeking.

Exceptionally, the meeting agreed, Nigeria was to be allowed to produce 1.4m bpd in August and 1.45m in September.

But there was a sting in the tail of this concession. When Nigeria cut back production in the spring, other producers, including Saudi Arabia with its notorious Opec-for-oil barter deal, moved in to fill the gap.

As a result, the oil market was weaker than usual in the summer months, and ironically, Nigeria was unable to sell even as much as its previous 1.3m bpd quota in August.

"We were outmanoeuvred," says an official of the Nigerian National Petroleum Corporation (NNPC).

If so, it was no more than a temporary setback. For Prof David-West knew full well that once Opec had conceded the principle of an increased quota for Nigeria, it would find it virtually impossible to turn the clock back.

Immediately after the Vienna meeting, he began claiming that the ceiling of 1.45m bpd was not just a one-month wonder but a permanent arrangement.

His Opec colleagues have apparently since been forced to agree.

However, there is no denying that the subsequent rise in Nigerian production was one of the factors behind Opec's next crisis.

An autumn enveloped the northern hemisphere, spot market prices of the lighter crudes, such as the North Sea's Brent and Nigeria's Bonny light, softened further—partly reflecting the long-term shift of demand into cheaper heavier varieties.

The crunch came in the third week of October, when Norway's Statoil and the British National Oil Corporation cut their official prices between \$1.35 and \$1.50 a barrel to bring them closer to the spot market.

Nigeria was immediately faced with the disastrous prospect of losing customers to the

### New oil prices

Nigeria's new oil prices (with effect from February 1, in U.S.\$ per barrel) are as follows:

	Degrees API	Alone	In special package
Bonny light	37	28.65	28.85
Brass blend	43	28.65	28.85
Qua-Iboe	37	28.45	28.80
Escravos	35	28.35	28.50
Pennington	36	28.35	28.50
Forcados	31	28.05	27.90
Bonny medium	26	27.50	27.30

North Sea, just as it had been 20 months previously when Britain proposed cutting its price by \$3 a barrel to \$30.50. Its reaction in both cases was the same: to reduce the price of Bonny light unilaterally, without reference to Opec, undercutting the North Sea.

Many observers were surprised and impressed by the speed and decisiveness with which the Government acted this time. The decision to cut by a full \$3 made by the top military men apparently against the more cautious advice of Prof David-West and his officials, was designed as a challenge to Britain, and in a sense to Opec—and as such, it appears, to have paid off, at least for the moment.

The country's oil industry is again perched on a knife edge, with an urgent need to produce constrained by price conditions in the world market.

Opec agreed in January on a deal to narrow the destabilising differential between light and heavy crudes, dropping the average price level by around 20 cents. Nigeria, in turn, agreed to raise its price in line with Britain's Brent crude to \$28.65; Britain held back from cutting its price or changing its pricing system; and the spot market has since reacted by firming up to an extent.

Gen Buhari is still insisting that he will match BNO's "cent for cent" should BNO cut again. For his part, Prof David-West has coined a catchy slogan—"I have my two legs in Opec and my two eyes on the North Sea"—which he trots out regularly at Opec meetings and in talks with British officials.

Attractive as it is, this statement begs one crucially important question: what do the Nigerians mean by North Sea prices? Although the official price which BNO pays to North Sea producers is \$28.65, it actually sells most of its oil on the spot market for considerably less. (The January average was around \$27.)

Nigeria, which according to oil industry officials theoretically needs to set prices lower than the North Sea to take account of the cost of shipping oil to its predominantly European customers, clearly cannot hope to compete with the spot market except by offering discounts.

The country is already offering

ing a small disguised discount to try to encourage buyers to take more light oil. Under a new pricing formula published this month, customers can obtain an overall price reduction of 10-15 cents if they agree to take a special package of crudes.

In fact, the oil companies operating joint ventures in Nigeria with state-owned NNPC—including Shell, Gulf, Mobil, Elf and Agip—can sell their oil at spot prices if they wish, particularly since the Nigerians made their marketing arrangements more flexible last year.

Until recently, foreign joint venture partners could only lift their equity oil—40 per cent in the case of most companies, 50 per cent for Shell, the largest—if NNPC also sold its share. If NNPC's sales at the official price stagnated, so did the oil companies.

But under participation agreements signed with most of the companies last year, they are allowed to lift their share even if NNPC does not take its own.

In addition, with NNPC's permission, they can also sell some of its share, while reimbursing the Corporation for production costs.

While this arrangement should allow Nigeria to sell a bit more oil, executives insist that it will make no difference in practice to prices. Under the Nigerian tax system, companies are allowed a fixed profit of \$2 a barrel on sales at the official price.

If they sell their oil for much less, they will be doing so at a loss.

### Unanimous

So should the market soften again, as it is almost unanimously expected to do with the arrival of warmer weather in Europe and the U.S., the same vicious circle as unfolded in 1984 could start all over again. Nigeria simply cannot live with a substantial reduction in oil revenues. The import squeeze last year, even though oil revenues actually recovered to around \$12bn.

If the Nigerians find they cannot sell enough crude at the latest price, or if BNO goes over to a market-related pricing system, they would almost certainly have to cut their prices again.

And if this happens, they may be forced to produce more—with or without the permission of Opec. This year's budget is believed to be based, with deliberate caution, on production of 1.3m barrels a day at \$27.50 a barrel, which does not leave the country much elbow-room.

Stepping-up production again is not as simple as it sounds. Some oil companies in Nigeria have begun to express concern that the country's technical production capacity is declining because of cutbacks in Government spending on maintenance and development.

Total capacity is now estimated at 1.5m b/d, though it could probably be brought above 2m b/d again within six to eight weeks.

But in any case, whether Opec, faced with a continuing market crisis, will prove as accommodating to Nigeria this year as it was in 1984, is an open question.

### Oil industry production: '000 barrels a day

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
January	1,985	1,989	2,197	1,638	2,441	2,157	2,092	1,754	833	1,251	1,251
February	1,796	2,070	2,198	1,666	2,428	2,148	1,943	1,400	673	1,246	1,246
March	1,713	1,998	2,255	1,521	2,406	2,156	1,868	938	910	1,258	1,258
April	1,621	2,064	2,258	1,693	2,416	2,189	1,623	900	1,168	1,259	1,259
May	1,545	2,069	2,210	1,720	2,398	2,141	1,293	1,308	1,622	1,290	1,290
June	1,608	2,095	2,236	1,893	2,405	2,195	1,352	1,649	1,526	1,279	1,279
July	1,636	2,048	2,065	1,913	2,381	2,108	771	1,259	1,711	1,127	1,127
August	1,755	1,937	2,020	2,060	2,185	2,049	707	1,106	1,251	1,145	1,145
September	1,917	2,047	2,027	2,109	2,176	1,977	1,061	1,185	1,214	1,428	1,428
October	1,909	2,113	1,950	2,114	2,135	1,901	1,250	1,489	1,290	1,246	1,246
November	1,954	2,185	1,918	2,276	2,151	2,082	1,582	1,385	1,300	1,233	1,233
December	1,980	2,190	1,852	2,294	2,151	2,018	1,786	1,383	1,300	1,277	1,277
Year	1,785	2,067	2,098	1,909	2,303	2,058	1,440	1,294	1,237		

Source: Financial Times estimates



## Energy

NIGERIA 21

Andrew Gowers and Patti Waldmeir talk to the Oil Minister, Prof. Tam David-West

## Oil 'the heart of Nigeria'

"IN NIGERIA, oil is the only thing we have," says Prof. Tam David-West, the country's Oil Minister. "Oil is like the heart of the nation... It has to pump all the time."

Q. Is Nigeria satisfied with the January OPEC agreement on oil price differentials, and is the accord durable?

A. We are not unsatisfied. Whether it will be durable or not time will prove. But we think it will be durable. We believe... that our four colleagues (the countries which did not accept the agreement, Iran, Libya, Algeria and Gabon) will see reason to join the majority decision.

It has been suggested by all of us that we should set up a body to review the whole philosophy of OPEC pricing. OPEC will then formally address itself to the demise of the market crude.

Q. You have said repeatedly that it is crucial for Nigeria to remain competitive with the North Sea. By accepting a price of \$28.55 per barrel for Bonny Light, have you not actually lost some competitive edge over the North Sea?

A. What you have said is true. And I also had some occasion during this last trip to talk to some of my British colleagues. I made it clear to them as I also made it clear to my colleagues in OPEC that I have my two legs in OPEC but my two eyes are cocked on the North Sea, and I mean every word of that.

When we changed our price (to \$28 in October) one has to accept that we acted out of step with OPEC, but they are very willing to understand the circumstances that dictated our action. We have been vindicated by time.

When Britain took Brent crude to \$28.55, I had three options: either not to do anything, which would have been disastrous for the economy; or to time it one-to-one with Brent, which would have increased the pressure on Brent and caused Britain to cut again; or to go

down below Brent.

This has its own economic and political import. Our action was not to take customers from Britain but to keep what we had and to make it attractive for them to stay. It is a dynamic situation and I will review it as time dictates.

In short, I will match Brent, cent by cent.

Q. Would you not undercut Brent again?

A. I don't know. Time will dictate. It depends on how they do it and I think it is in the interests of Britain and of Nigeria, OPEC and the entire global oil market for us to keep it stable. The trouble in Britain is an organisational problem, and they know it. They have sort of built a Frankenstein monster (the British National Oil Corp) which is haunting them.

Q. Has OPEC accepted that Nigeria's quota is now 1.45m barrels a day?

A. Yes.

Q. Authoritative reports indicate that Nigeria's production in December was considerably more than 1.45m.

A. I will not say 'yes' and I will not say 'no'. We believe that as long as the current difficult economic situation exists, it is difficult for us to produce less. It would be economically suicidal.

If you... analyse how much we've been able to put into the market since we had the increase, it will come to the 1.45m.

Sometimes we produced less than 1.3m. Then on one or two occasions we've shot up to over 1.5m. We are quite within a limit of responsibility.

Q. If prices soften in the spring, would Nigeria have no option but to boost production in order to maintain budgeted revenue?

A. That strategy will come, and when it comes I'll examine it. In Nigeria, oil is the only thing that we have. Oil is like



the heart of Nigeria, and there is no pacemaker for it. It has to pump all the time.

Q. Nigeria's planned Liquefied Natural Gas (LNG) project has been delayed numerous times. If there are more delays, are you not in danger of missing the so-called "window of demand" in the 1990s which the project seeks to target?

A. First, America was the target, then Europe. We had a very robust market. They delayed for one reason or the other until the robustness of the market shrunk to a door, now it's shrunk to a window.

We still believe that the window is large enough to accommodate us and since it's a captive market the earlier we capture that window the better. I do not think we will delay much longer.

All things being equal, I think we should be onstream in the 1990s. It's guarded optimism, yes, there's no doubt about that. But we still believe we have some chance.

The fact that some big international consortia are still interested in participating with us means that they also think all is not lost.

Q. Do you have a pricing policy to encourage more use of natural gas within Nigeria?

A. There is a committee finishing up its work to re-examine our philosophy on the pricing of the whole range of petroleum and gas products. That will report in the next few weeks. They are coming out with a structure that I think will be more realistic.

Left: Prof. Tam David-West. "It would be economically suicidal for us to produce less oil." Right: Rig near Port Harcourt. It is generally agreed that a new refinery is a sensible investment to cut imports of oil products, but other governments have yet to grant the loans.

## Plans to proceed in the balance

### Oil refinery plans

ANDREW GOWERS

NIGERIA'S plans for a fourth oil refinery, considered essential to reduce the country's dependence on imported petroleum products, are in the balance as the French and Japanese Governments ponder whether to proceed with loans for the project.

The refinery, to be situated at Alesa-Eleme near Port Harcourt and expected to cost nearly \$500m, would have a total capacity of 150,000 barrels of Bonny Light crude per day, would thus almost double the country's total refining capacity.

By any yardstick, the refinery ought to be a sensible investment. Although domestic sales of petroleum products are currently depressed by the economic slump, and by the dramatic drop in smuggling caused by the closure of Nigeria's land borders, it was rising until 1981 at the alarming rate of more than 18 per cent a year.

Total domestic consumption is now estimated at around 180,000 bpd.

Although the theoretical capacity of the country's three existing refineries at Warri, Kaduna and Port Harcourt is 280,000 bpd, their actual output is closer to 158,000 bpd, largely owing to technical problems.

In its study of the Nigerian energy sector two years ago, the World Bank concluded that there could be a gap of 8m tonnes between domestic production and consumption of

refined products in 1990, rising to 14m by 1995.

To make up the deficit at present, Nigeria goes to the costly lengths of farming out the processing of 50,000 barrels a day to Brazil's Petrobras. Although official figures are not available, the Bank estimates the net cost of offshore processing at \$6 a barrel of imported product.

Everyone, from Maj-Gen Buhari downwards, agrees that building a new oil refinery within the country is a much more logical alternative.

In his 1985 budget speech, the head of state said when completed in 1987, the Port Harcourt refinery would lead to a net foreign exchange saving of N100m a year, and that on the basis of current consumption levels it would "enable our country, for the first time in its history, to eliminate the need to import finished petroleum products."

Gen Buhari's timetable may have been a little optimistic. Letters of intent for the project were issued to a Franco-Japanese consortium led by Japan Gasoline Corporation (in charge of the process technology) and Spie Batignolles (for the civil works) last October and commercial contracts were signed in mid-February.

But the deal, which is supposed to be largely financed by export credits from France's Coface and Japan's Ministry of International Trade and Industry, appears to have run aground on the reluctance of all Western governments to undertake new commitments to Nigeria while the country refuses to accept loan terms offered by the International Monetary Fund. "They are clearly very hesitant about going ahead," said one diplomat following the

### Existing oil refineries

	Operating capacity b/d	Technical capacity b/d
Port Harcourt	43,857	60,000
Warri	53,000	100,000
Kaduna	43,000	180,000

negotiations between the three sides. Both France and Japan, which are working closely together, are said to agree that to break ranks on this issue would threaten the entire united Western front on economic relations with Nigeria.

The French are, however, believed to be looking for ways around the problem. One possibility said to be under consideration is to transfer loan commitments they made to the recently-cancelled Lagos metro project to the refinery.

Spibat, meanwhile, appears unperturbed. "We are somehow confident a solution will be found," says one executive. "It's in the interests of the Nigerian Government and in the interests of France and Japan."

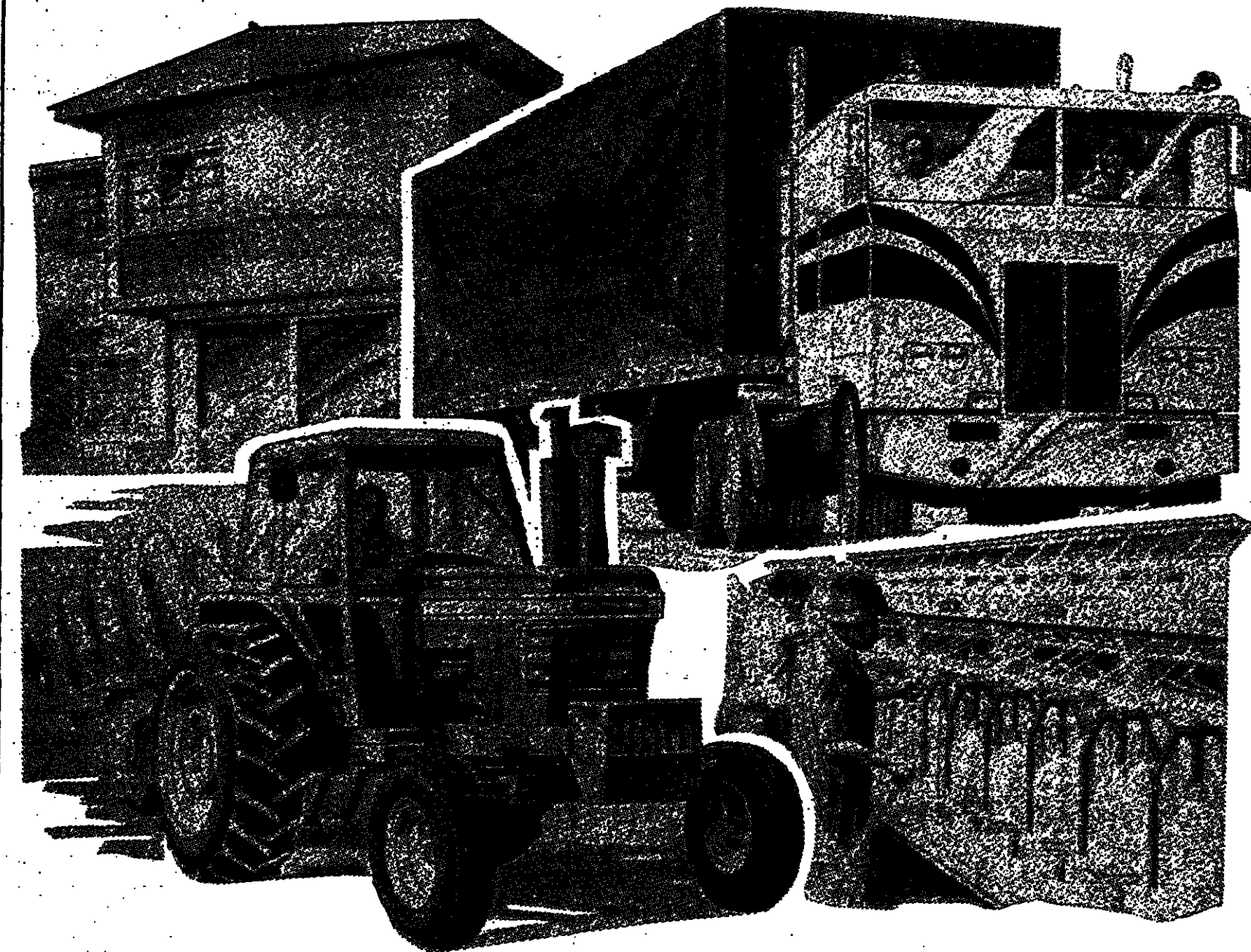
### Refineries' output

Maximum production of refined products from existing facilities and planned output of fourth refinery (tonnes/year):

	Existing refinery	Fourth refinery
Liquefied	280,000	123,000
petroleum gas	2,830,000	2,750,000
Gasoline	1,550,000	930,000
Kerosene	2,960,000	820,000
Diesel	1,420,000	2,350,000
Fuel oil	9,040,000	7,000,000
Total	20,040,000	14,000,000

Source: World Bank and NNPC.

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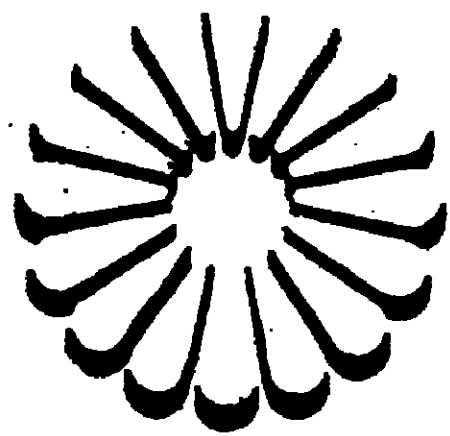
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## NIGERIA 22

## Energy



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## Nation's richest resource still largely untapped

THROUGHOUT Nigeria's steaming south, pillars of flame reach up from the jungle, scorching the earth and withering the trees around them like napalm.

The flares are the most visible sign of the country's richest natural resource—a huge and still largely untapped reservoir of natural gas.

Nigeria has 85 trillion (million million) cubic feet of proven gas reserves, most of them concentrated in the oil-rich Niger delta. And that could be just the tip of the iceberg.

"We have never really looked for gas," said one oil executive. "If gas really became big business here and companies started exploring for it, I am convinced that much more would be found."

It is estimated that proven and possible reserves of gas, when measured in terms of oil equivalent, could be 30 to 40 per cent larger than those of oil.

But gas is not big business for Nigeria at present. Only a minute proportion of these riches is being put to any useful purpose, and an array of projects to harness gas for increased industrial use at home are either stalled or making very slow progress indeed.

The World Bank, which recently conducted a thorough investigation of Nigeria's energy sector, estimates that only 15 per cent of commercial energy consumption, compared with 79 per cent for petroleum products.

Half of the proven reserves are found with oil and automatically released when the crude comes to the surface. And the vast bulk of this so-called "associated gas" is at present simply flared off and wasted at the well-head.

### Estimates

Shell, which as the operator of the largest oil joint venture in Nigeria has the majority of the country's gas within its concessions, estimates that only 10,000 barrels per day of oil equivalent (bode) of associated gas were harnessed for power generation and industry from its fields in 1983, while 90,000 bode were flared.

This practice has long been an embarrassing thorn in the side of the Nigerian Government. As a result in 1973, the previous military regime published a decree requiring all oil companies to cease flaring by 1984.

They were subsequently given a year's stay of execution, and the company persuaded the Government during negotiations last year to water down its demands. But as from the beginning of January, companies which continue to flare gas must pay a fine of 2 kobo per 1,000 cu ft (mcf) for their equity share—that is, 40 per cent in the case of most companies and 50 per cent for Shell.

About 1 mcf of gas is flared for every barrel of oil produced, so the levy does not seem large. What is more, a generous number of oilfields is exempted from the decree. However, oil companies are still quietly grumbling about the extra expense.

"It's not punitive, but it's money out of our pocket," says one senior executive. "It's enough to make you think."

The problem for most companies is that they do not see an easy alternative to flaring. Re-injection of gas into the oilfields, a widely-favoured method of enhancing rates of recovery elsewhere, is neither necessary nor technically feasible in most Nigerian reservoirs, as well as being financially expensive.

In many cases, the oil is driven out automatically by heavy water pressure from below, and in some, say the oil companies, re-injection would actually damage the reservoir. Some companies such as Mobil are, nonetheless, boosting investment in re-injection facilities.

In the long term, however, everyone is agreed that the ideal solution is finding a productive use for Nigeria's gas, whether oil-associated or not. The Government's plans are twofold:

● Developing natural gas for export. Various proposals to build a multi-billion-dollar plant at Bonny to supply liquefied natural gas (LNG) to European partners have been under sporadic discussion for at least ten years, and Maj-Gen. Buhari has repeatedly emphasised his government's commitment to this project since coming to power.

### Stalled

But there have as yet been no concrete moves to get the plan—with Shell as project leader—off the ground. Fears are growing that it may not come on stream in time to fill a purported gap in European supplies in the 1990s, and that, in any case, the Nigerians will not be able to line up sufficient long-term contracts to justify such a risky venture.

● Encouraging the use of gas by domestic industry and power stations (use in the home is considered too dangerous at present to be widely promoted). Here the main problem is a lack of infrastructure. Nigeria's gas pipeline network is still in its infancy, consisting of isolated lines of widely varying sizes designed to supply individual plants.

But a planned \$1bn gathering system and pipeline to transport gas from Escravos to the huge new Igbin power station near

First, the Italian export credit agency Sace is hesitating about financing the Salpem contract, ostensibly because of the informal understanding between Western governments not to extend new cover to Nigeria until it does a deal with the International Monetary Fund (IMF).

As a result, 100 km of 36 in steel pipes already manufactured by the Italian company are sitting idle on a wharf in Tarranto, awaiting the go-ahead.

Secondly, the World Bank is having its own doubts about the project. These stem from the biggest single obstacle to the development of Nigeria's gas industry: the Government's heavily-distorted pricing policy for energy products, also one of the principal sticking points in its talks with the IMF.

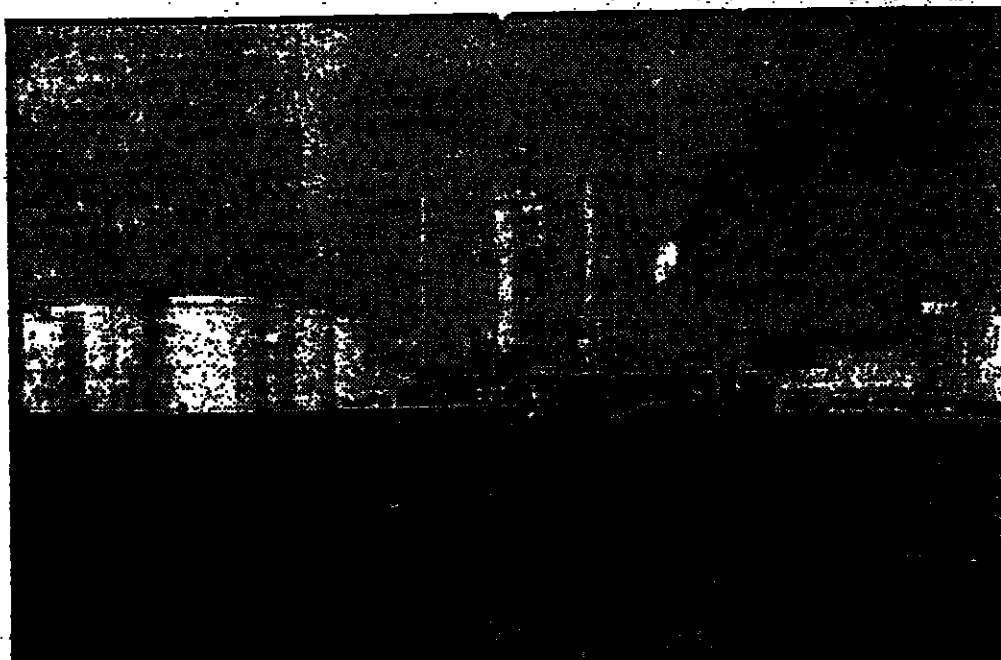
The Bank calculates that petroleum product prices in Nigeria reflect on average only half their true economic value. This gives industry and the power generating utility little incentive to shift to gas, although it is estimated that if all products were sensibly priced, the cost of gas to commercial users could be as little as 20 per cent of the cost of alternative fuels.

Prof Tam David-West, the oil minister, has said that he is about to propose a revised pricing structure for all fuels including gas.

But it remains to be seen whether this more closely reflects market realities, as the Bank is urging. "There's not an oil company in this country that's paid a reasonable price for its gas," said one oilman.

The key issue, though, is what price the National Electric Power Authority (NEPA) is prepared to pay for the state oil company NNPC for the gas. Until that issue is resolved, and NNPC is assured of recovering its gas development costs, the Escravos project—and all other attempts to step up the use of gas for power generation—will remain on ice.

Everyone is aware of the damage that could do. Somers or later, if unchecked by diversification into other fuels, growth in domestic demand for petroleum products would begin to jeopardise vital oil export earnings.



Although Nigeria is expanding its oil refinery capacity, its huge gas reserves have yet to be tapped and could be 30 to 40 per cent larger than oil reserves

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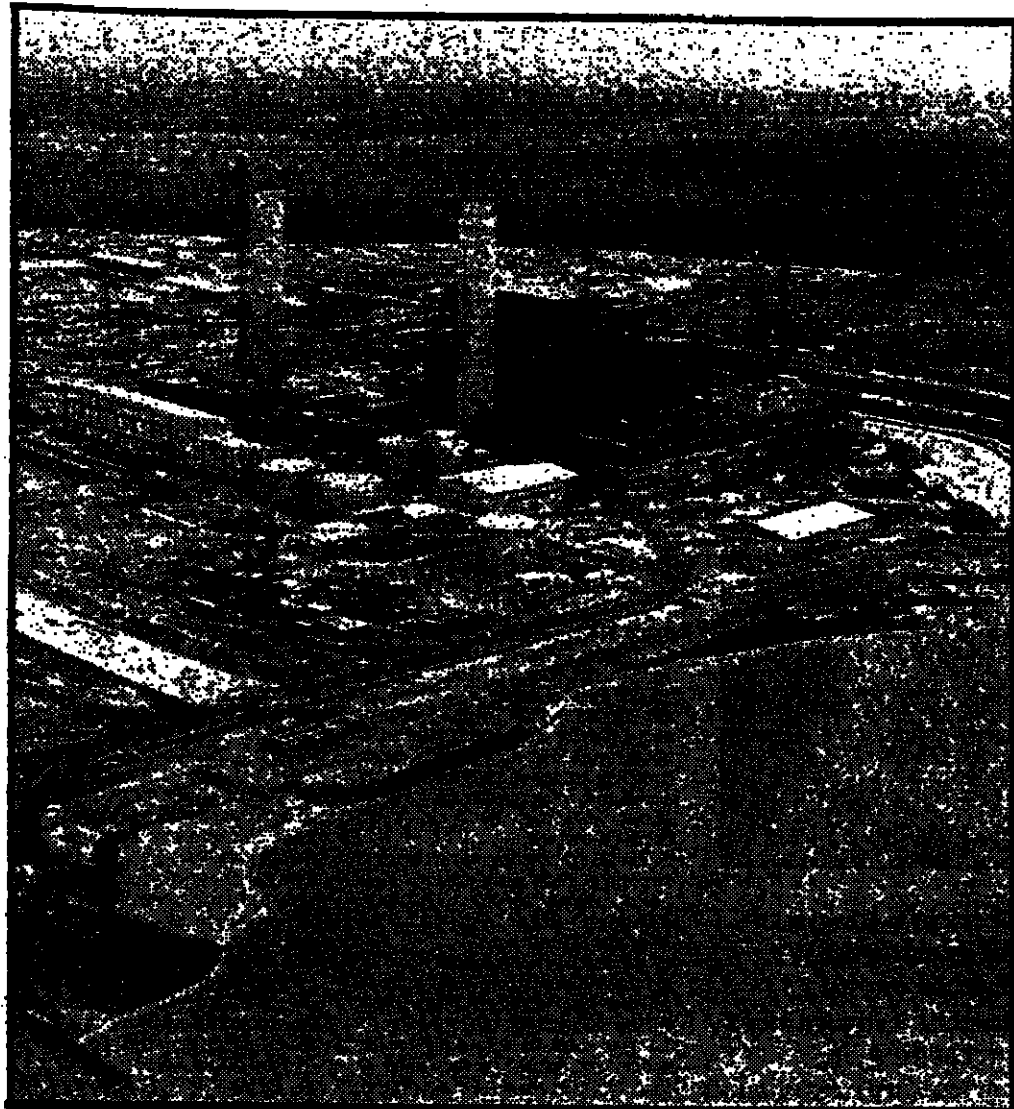
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## Services improve dramatically

AS Alhaji Rilwanu Lakman, Nigeria's Minister for Power, sits at his desk, a huge bold graph in red and green stares down at him from the wall—and all the lines on it are pointing upwards.

It is a dramatic illustration of one of the biggest changes in Nigeria since last year's coup: the improvement in the country's electricity supply.

Until quite recently, the poor performance of the National Electricity Power Authority (NEPA), the state generating utility, was the bane of Nigerian town-dwellers' lives.

Power cuts caused by insufficient and inefficient electricity supply and inadequate maintenance of plant left large swathes of Lagos and other cities in darkness for hours at a time, and caused a headache of migraine proportions for industry.

Investment in standby generating sets for factories inflated manufacturing costs alarmingly.

The project review committee set up by the Government last year said the electricity problem had reached "crisis proportions."

These problems have not, of course, disappeared. The lights still go out and the air conditioning still grinds to a halt with depressing frequency. NEPA remains in a fragile state, "held together by Sellotape and string," as one observer put it.

But the stoppages are fewer and certainly shorter in duration. Everyone in Lagos, from taxi-drivers living in the

it could generate as much as 2,300 MW.

Behind this rise lie two important new developments:

● First, monitoring of NEPA's performance — virtually nonexistent under the previous civilian administration — has been tightened up beyond all recognition.

● Secondly, attention has been focused to an unprecedented degree on refurbishing and rehabilitating existing facilities rather than embarking on expensive new projects.

The Sapele gas-fired power station in Bendel state, for example, which is meant to supply a third of the nation's requirements, was in a near-terminal state of decay last year.

Out of six turbines, only one was reported to be working. Now all six are on stream, although not anywhere near full capacity.

The World Bank too, Nigeria's biggest foreign aid donor, is shifting its emphasis increasingly to refurbishment rather than expansion of capacity.

It provided the authority

with two loans of \$100m each in the early 1980's to assist with increasing the power supply and enhancing distribution in Lagos and more than 20 other cities.

But a large chunk of the funds remains undrawn, and late last year, the Bank redirected \$44m to help with rehabilitating equipment.

There is now talk of a third Bank loan "to help NEPA better utilise its existing and future generation capacity."

The authority undoubtedly needs the money. Although this year's detailed budget estimates have yet to be released, it is believed that NEPA's allocation has been cut sharply from its 1984 level of N 216m.

In the meantime, it still has major day-to-day problems on its plate. Revenue collection remains a nightmare, and NEPA managers are currently studying a report on how this might be improved.

Over the past year or so, the hydro-electric plants at Kainji and Jebba are reported to have suffered from drought, which brought water levels dangerously low.

And there is still an enormous amount of work to be done in bringing existing plant up to scratch. NEPA remains in desperate need of more skilled personnel, and continuing shortages of imported spare parts are not likely to make the task any

easier. But until the maintenance and management problems are sorted out, there will be no time for NEPA or the Government to think seriously about their longer-term goals, such as building more power stations.

Apart from the new power station at Igbini, near Lagos (see separate article), Major-General Buhari has promised feasibility studies on possible plants at Onitsha, Kaduna, Makurdi, Oron, Katsina and Mambilla. Clearly, new capacity will be needed at some stage in the future. NEPA is still only producing enough electricity to satisfy the demands of a British town the size of Sheffield.

But as the project review committee pointed out, installed electricity generating capacity has traditionally exceeded estimated demand in Nigeria.

### National Electric Power Authority Capacity

	MW
Hydro-plants:	
Kainji	760
Gas/oil-fired:	
Afari	742
Sapele	696
Lagos	60
Coal-fired:	
Oji River	150
Total	2,408

The N600m Igbini project, near Lagos, will be West Africa's newest and largest thermal power station.

The main contractor for the 1,320 Mw station is Bouygues of France in a consortium with Japan's Marubeni and Hitachi, which were awarded a turnkey design and build contract by Nigeria's National Electric Power Authority. Final completion is due by September, 1987.

Apart from the Igbini project, Major General Buhari has promised feasibility studies on possible power plants at Onitsha, Makurdi, Oron, Katsina, Mambilla and Kaduna.

## Igbini project brightens city's future

### Thermal power

PETER BLACKBURN

AT 7 AM each morning Mr Ivan Replumaz boards a speedboat at Ikoyi to commute to work across Lagos Lagoon to Igbini, the site of West Africa's newest and largest thermal power station.

The 25-minute ride past the occasional fishing boat is considerably quicker and easier than the 40 km journey through the traffic jams of Lagos.

Mr Replumaz is Bouygues' project manager for the construction of Igbini Power Station which promises to brighten the future for Lagos' long-suffering residents. The 1,320 mw station will substantially increase the National Electric Power Authority's (NEPA) installed capacity and should help to reduce the power cuts that have long plagued daily life.

But completion of construction could be just the prelude to a boost of new problems with fuel. Igbini is designed to be eventually fired with natural gas piped from fields at Escravos, but financing delays with the pipeline mean that it will initially have to rely on expensive heavy fuel oil brought up by barge from Lagos's Apapa port.

Bouygues is the main contractor in a consortium with Japan's Marubeni and Hitachi, which was awarded a turnkey "design and build" contract by NEPA in 1981 and now worth N600m. "Despite various delays and problems the first of the six 220 mw units will be commissioned on schedule in May," said Mr Replumaz. The other five units are due to be commissioned at six-monthly intervals with final completion set for September, 1987.

The completion on time of projects has become extremely rare, especially since most major schemes were either stopped or slowed down as a result of the Government's austerity programme introduced in early 1982.

### On schedule

The completion of Igbini shows the high priority attached by both the civilian and military governments to improving the country's power supplies.

But despite the going was far from easy. There were initial delays when some 500 people from the fishing villages of Igbini and neighbouring Ipakan had to be resettled.

Difficulties were experienced in 1983 obtaining import licences and expatriate quotas while work nearly stopped in

early 1984 because of a severe backlog in payments.

The contract was renegotiated by the new military Government in March, 1984, to take account of an escalation in costs and the addition of extra works. As with other contracts the military also investigated whether there were any hidden commissions.

The overall contract price was raised to N600m from N410m and changed to "fixed price" from lump sum, plus escalation. Bouygues share of the contract was increased to N240m from N210m. It is 85 per cent financed by a buyer's credit, arranged by Societe Generale de Banque and guaranteed by Banque Francaise de Commerce Exterieur.

Although most of the construction was sub-contracted, Bouygues still had up to 75 expatriates to co-ordinate activities as well as 2,000 Nigerian employees.

The expatriates live on the 30 hectares site in a specially-built residential area which will later be handed over to NEPA. It includes 350 housing units, shopping centre, clinic and staff club with tennis, swimming and air-conditioned squash courts.

### Equipment

The Igbini site was chosen for its proximity to Lagos and abundant water supplies, Mr Replumaz explained. When fully operational some 17,500 cu m of water will be pumped out of the lagoon to cool the power station's six condensers.

During the peak period 3,000 tonnes of equipment and materials were shipped into the country. Some 11,500 tonnes of structural steel and 108,000 cu m of concrete were used in the construction of the power station.

Some 3m cubic metres of mud has been dredged out of Lagos Lagoon so as to provide a navigation channel for the 80 metre long 1,200-tonne capacity barges to reach Igbini.

The single barge operating at present is sufficient to supply fuel to 3 units operating at full capacity, Replumaz said. Four barges would be needed when the power station is completed.

Four 30,000-tonne fuel storage tanks will provide about one month's supplies when the power station is operating normally.

Meanwhile, observers concerned about whether the Lagos distribution network will be able to handle the enormous increase in electricity supply which Igbini will bring.

"It would be a pity to see the energy wasted," they said. Meanwhile, plans are already being considered to build an extra three units at Igbini and to raise capacity by 50 per cent so as to keep pace with the projected increase in demand for power.

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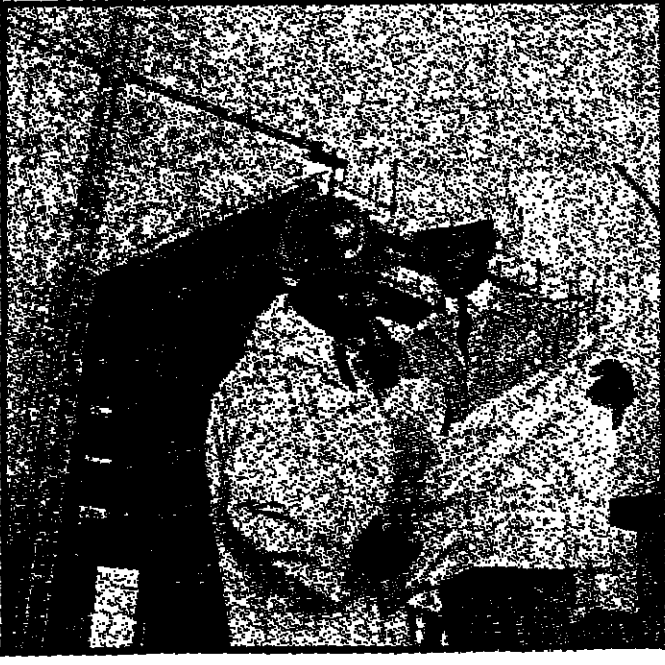
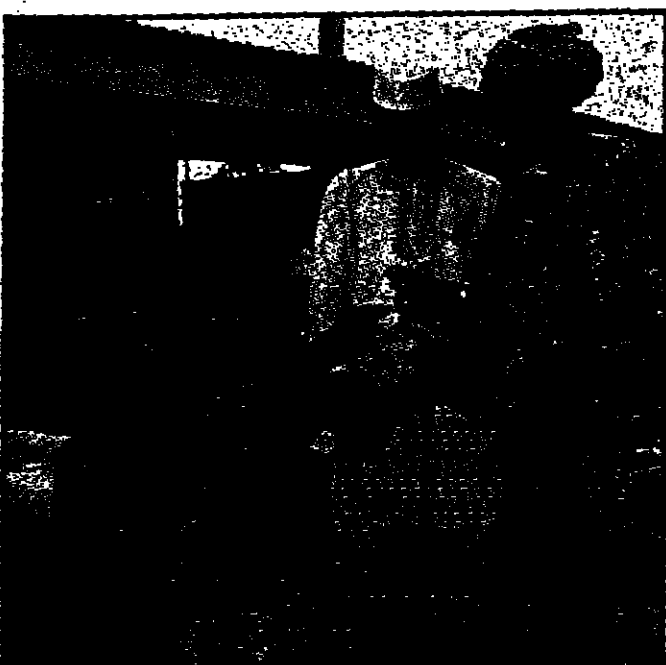
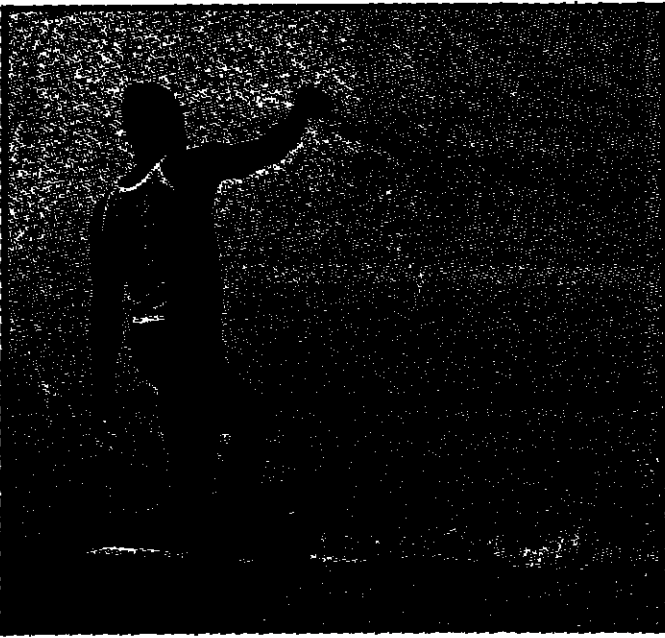
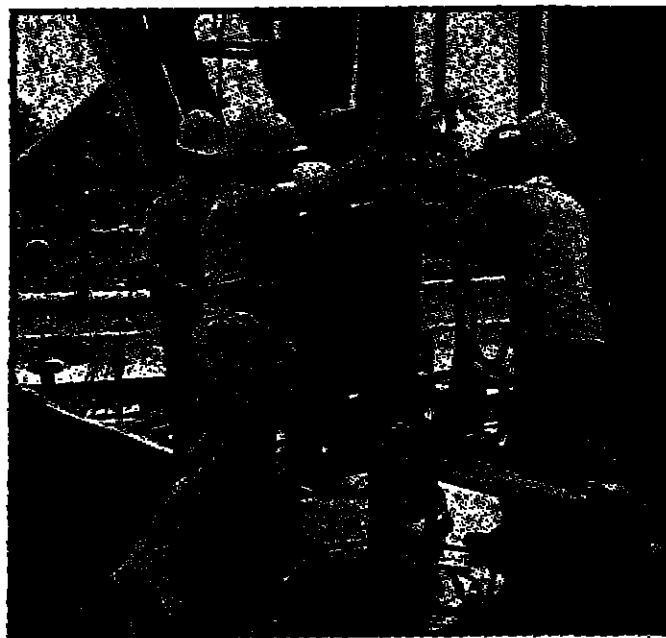
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## NIGERIA 24

## Agriculture

Although the military Government claims that the success of its agricultural policy is already apparent, critics say this boost is due more to the fortuitous arrival of good rain and to protection from imports

## A much-needed boost for farming sector

AUSTERITY MAY be crippling Nigerian industry and cramping lifestyles—but for agriculture, it appears to be providing a much-needed boost, in the short term at least.

Import cuts have caused sharp rises in food prices which have improved farmers' profitability; retrenchment is forcing the urban unemployed back to the land; and virtually every major agro-allied company in Nigeria is searching for ways to reduce dependence on imports by meeting raw materials needs locally.

Years of neglect destroyed the agricultural base which made Nigeria self-sufficient in basic foods and a major commodity exporter in the 1960s and early 1970s. There are now signs though that the pressure of competition from cheap imports has eased, motivating small farmers to produce a surplus for sale above their subsistence needs.

At the same time, poor medium-term prospects for import availability have persuaded the agro-industry that it must look to farming to reduce its current debilitating dependence on imported raw materials.

There can be little doubt that it was the oil-inspired prosperity of the past decade which precipitated the decline in Nigeria's agriculture. The lure of oil-rich cities prompted a massive exodus of labour and capital from the countryside. And the availability of plentiful foreign exchange made agricultural development a low priority for government.

Growth in food production began slipping behind population growth, which exceeded 3 per cent, and by 1981 Nigeria was importing over N2.2bn (\$1.5bn) in food and agricultural raw materials.

Since that time, the decline in oil revenues has forced a sharp drop in imports, with spending on food imports slashed by more than 40 per cent from its 1981 peak to about N125bn last year.

But it is clear that austerity on its own will not be enough to reverse the decline in domestic food production and can have little positive impact on the export sector, made hopelessly uncompetitive in world markets by the overvalued exchange rate.

While protection from cheap imports can provide an impetus to agricultural production in the short term, the long-term recovery of the sector—which still provides a livelihood directly or indirectly for more



Nigeria's long-term prosperity must depend on the current Government succeeding in agricultural expansion where past regimes have failed, as Patti Waldmeir reports here.

### GOVERNMENT INCENTIVES

THE NIGERIAN Government is encouraging private investment in agriculture with these incentives:

- Majority foreign ownership: while foreign firms are restricted to a 40 per cent holding in most sectors of the economy, agricultural ventures can be 60 per cent foreign-owned.
- Maj Gen Buhari announced recently that this share had been raised to 80 per cent, although this has yet to become law.
- Credit: commercial banks are now required to commit 12 per cent of their loan portfolios to agriculture (up from 10 per cent last year), while merchant banks must lend 5 per cent to the sector, from 5 per cent in 1984.
- Interest rates have been increased to provide additional incentives to banks, which have regularly fallen short of targeted lending in the past. Grace periods on

agricultural loans have been lengthened, to a maximum seven years for ranching. Interest on agricultural loans is exempt from taxation.

### New measures

- Tax relief: new agribusiness companies enjoy a three-year income tax holiday.
- Agricultural equipment: all farm equipment imports are exempt from duty.
- Accelerated depreciation: agribusiness companies can depreciate their assets against profits at an accelerated rate.
- Loss provisions: losses can be carried forward indefinitely and written off against eventual profits.
- Excise duty: agribusiness companies are eligible for substantial concessions in excise duty payments if the Ministry of Commerce and Industry is satisfied that they use the maximum amount of local raw materials.

than threequarters of the population, will depend on government action in the following areas:

- Funding: Some N1.06bn has been allocated to agriculture in the federal government's 1985 capital budget, representing 18 per cent of the budgeted total. But allocations to agriculture under the previous civilian regime were similarly high, averaging 16 per cent of the annual budget, while agriculture continues to languish.

Government officials admit privately that this was due largely to the inefficiency financial mismanagement and corruption which plagued agricultural parastatals and they say steps are being taken to ensure that funds are spent more productively.

### Inefficiency

The finances of the River Basin and Rural Development Authority, which have the largest single budget allocation and are now under close scrutiny. And some loss-making parastatals have been closed down or are being sold off to the private sector.

- Incentives to private investment: The Government has set up an agricultural investment bureau to encourage large-scale

private investment in agriculture, and there is considerable interest among companies in the brewing and soft drinks industries, textiles and the major trading houses in investing in agriculture.

But both local and foreign investors complain that the incentive structure is out of tune with their needs. "The debate revolves around whether they should allow 80 per cent foreign equity or only 60 per cent," says one potential foreign investor.

"What they don't seem to realise is that we're not worried about equity. What we want is to be allowed 100 per cent management control—no matter who holds the equity."

- Compulsory investment schemes: The Government is now preparing a White Paper based on the recommendation of the "Aribisala Committee" on agriculture, a Government-appointed study group chaired by Chief Theophilus Aribisala, formerly agricultural adviser to ousted President Shehu Shagari. The committee has recommended a compulsory investment scheme requiring all local companies over Naira 5m turnover to invest 10 per cent of turnover in agriculture.
- State involvement in agriculture: Here, the Government

is re-examining the role of the commodity boards which Dr Bukar Shaih, Agriculture Minister, said last month had made cumulative losses of N428.5m by the end of 1983.

● Input supply: Fertiliser supplies have improved dramatically as a result of a \$250m World Bank loan to cover the cost of importing some 2m tonnes in 1984 and 1985. The cost of imports has been reduced as a system of international competitive bidding has been adopted, and the involvement of the private sector in distribution has improved efficiency.

Continued timely provision of fertiliser will be among the most critical factors in maintaining the current impetus to increase production.

● Farms-to-market roads: The construction of feeder roads by the World Bank-assisted agricultural development programmes have ensured that farmers receive a larger share of current high market prices, by reducing the premium charged by traders for purchasing goods in less accessible areas. Maintenance of these roads is critical.

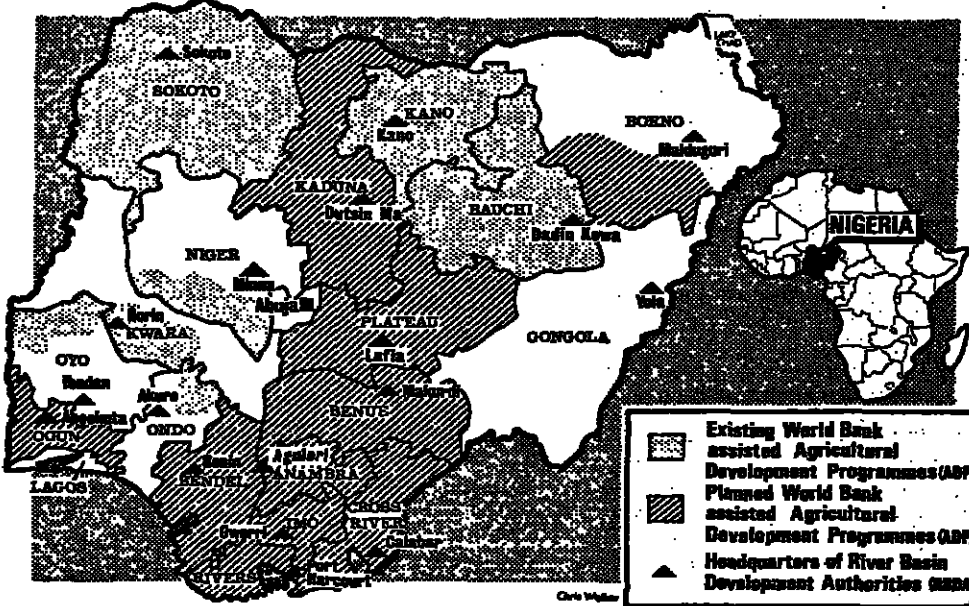
● Exchange rate policy: Few agricultural experts believe that a permanent revival of agriculture can come about without an adjustment in the value of the Naira, both to stimulate exports and to ensure that food imports, if and when they resume, will not destroy the competitiveness of local production.

### Output

According to Maj Gen Buhari, the success of his government's agricultural programme is already becoming apparent—agricultural output rose 2 per cent last year, after an 8 per cent drop in drought-stricken 1983.

Critics point out that this increase was due more to the fortuitous arrival of good rain—and to the protection from imports which have become Government policy by default—than to any of the other measures adopted by Government.

Nevertheless, it is clear that the country's long-term prosperity must depend on the current government succeeding where the "Operation Feed the Nation" and "Green Revolution" of past regimes have failed. Or face the chilling prospect of a food deficit variously estimated at between 5m and 20m tonnes by the end of the decade.



Growth in food production has fallen behind Nigeria's rate of population increase. Most peasant farmers still use traditional methods but improved crop varieties and greater use of fertiliser have increased yields



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## Agriculture

# Costs force rethink of irrigation plans

SOUTH of the road from Gombe to Bui, on the border between the parched Northern states of Borno and Bauchi, a farmer stands ankle-deep in water among the thriving green rice shoots and praises the state River Basin Authority for irrigating his land at a minimum cost of N5,000 per hectare.

Just over the road, controlling the flow from his recently installed irrigation pump, another farmer has similar praise for the state Agricultural Development Programme (ADP) for bringing water to his paddy field at a cost of about N700 per hectare.

Both farmers are cultivating land which could be crucial to Nigeria's future hopes of reaching self-sufficiency in food production—land which, without irrigation, would lie idle during the November to April period when river beds crack and blister in the heat and harmattan dust from the Sahara clouds the sun.

There seems little doubt among agricultural experts in Africa that irrigating such lands throughout the savannah-lands of the African Sahel holds out the only real hope of combating the devastating effects of the continent's cyclical droughts.

The debate, part of a wider reassessment of development policies now being carried out by donors and government throughout Africa, centres on how to irrigate most economically and with a minimum of social and environmental disruption.

Essentially, the choice is between large-scale, highly capital-intensive irrigation schemes, which rely on technology imported from the advanced agricultural countries of the West, and more modest schemes which apply simple technology adapted through research in African conditions.

Nigeria is experimenting with both kinds of scheme under the auspices of the federal government's River Basin Rural Development Authorities and World Bank-assisted Agricultural Development Programme—among the most ambitious development programmes in black Africa.

The first River Basin Authorities were created in response to the last Sahel drought in the mid-1970s, when Nigeria looked

to the West to provide technology to dam the great seasonal rivers of the North.

Authorities have recently been extended to cover every state in the Federation bar one. Federal capital budget allocations to the authorities between 1982 and 1985 alone have totalled nearly N2bn.

The Authorities have engaged in a wide range of activities, from construction of a network of massive dams to land clearing, extension work, seed multi-

## Agricultural development

PATTI WALDMER

plication and in some cases large scale farming (although they have since been forbidden to engage in direct production). Conceived in the rosy glow of oil boom prosperity, and at a time when hopes for such schemes were high throughout Africa, River Basin Authorities seemed the obvious answer to the problem of feeding Africa's most populous nation.

Now Nigeria's straitened circumstances have forced a review of the Authorities' activities which reveals a number of serious shortcomings.

Government officials admit privately that there have been numerous instances of financial mismanagement, inefficiency and corruption, with one top-level official estimating that costs were inflated by more than 50 per cent by financial irregularities.

### Investigation

Government is now investigating the books of the 11 original ADPs and a management and board members of one authority are being held on charges of financial impropriety.

The schemes have also come under heavy criticism because of their high unit costs. The capital cost of a gravity-flow irrigation network at the Kano-Badejia Authority in Kano state is estimated at N15,000 per hectare, an enormous sum to recover through smallholder farming.

And in several cases, the

schemes have actually taken more land out of cultivation—through flooding of farmlands by the dam's artificial lake, and through loss of fertility in so-called "fadama" areas in the river's normal floodplain—than was brought under irrigation downstream.

Government officials concede that there are powerful economic arguments against the high foreign exchange costs of maintaining sophisticated pumping stations and sprinkler systems are taken into account. "But we don't want to be bound by the economics of these things," says one top Agriculture Ministry official. "When hunger comes, economics flies right out the window."

Nevertheless, there are signs that government is considering scaling down some of the more grandiose projects.

While the River Basin Rural Development Authorities have primary responsibility for water resource development in Nigeria, the Agricultural Development Programmes (ADPs) are also now expanding into this field from their traditional focus on rainfed agriculture.

Jointly funded by the Federal and State governments and the World Bank, the ADP programme was set up on a pilot basis in the mid-1970s and has since been expanded to state-wide coverage in a number of states.

Some two-thirds of the land surface of Nigeria will be serviced by ADPs when eight new programmes come onstream this year and next.

The ADPs follow a fundamentally different approach to irrigation, with the emphasis on low-tech irrigation of about a hectare at a time in fadama areas where the water table is relatively high.

The effect on costs is dramatic—for N700, several Northern ADPs will drill the farmer a shallow tube-well and sell him a Honda pump with which he can irrigate up to a hectare. Response so far has been enthusiastic.

Such adaptation is clearly the way of the future for the River Basin Authorities as well. Officials believe there may still be time to scale down some of the Authorities' more obvious excesses and put them at the service of Nigeria's Green Revolution.



Cuts in imports such as rice have made locally-produced foods more in demand. Above: growers bring their wares to the quayside market by the marina at Badagry.

PROFILE: ADP

BY PATTI WALDMER

## Banishing the drudgery

GATHERED in a dusty clearing outside the family compounds of Fafule village in the northern state of Bauchi, turbaned village elders await the arrival of the state's military governor Brigadier Mohammed Sani Sami.

The occasion is the commissioning of the 1,000th village borehole constructed by the Bauchi State Agricultural Development Programme (BSADP), an ambitious World Bank-assisted project which aims to raise living standards for 425,000 farming families (95 per cent of the state's rural population).

The governor arrives, and with a few vigorous turns of the shiny new pump handle starts a flood of the clear, sweet water which will arguably have more impact on the wellbeing of villagers than any other component in the \$350m project.

The programme's aim is to build on the strengths of traditional farming systems— which have been carefully adapted over the centuries to the demands of the savannah belt's fragile and inherently infertile soils—through the aid of appropriate technology.

The emphasis is on extension teaching of improved farming methods, backed by the provision of reasonably-priced inputs and the physical infrastructure needed to bring the goods to market.

Improving rural water supplies, through the construction of dams, boreholes and shallow irrigation wells, is also central to the project.

"We want to take the drudgery out of agriculture," says Alhaji Adamu Hussaini, programme manager of BSADP, a statutory body funded jointly by the Federal and State

governments and the World Bank.

"Our main achievement is that we've persuaded the rural population that farming can be profitable."

Critics maintain, however, that profitability has less to do with the project than with recent sharp rises in farmgate prices of most crops. This, coupled with the collapse of alternative employment opportunities in the cities, had already gone a long way towards rekindling interest in farming state-wide.

### Fertiliser

Nonetheless, BSADP has clearly had a considerable impact. Its network of "farm service centres" have brought essential inputs such as fertiliser and insecticides to within 7-10 km of every farm in the project area. And 600 km of feeder roads built so far have opened up producing areas which were previously inaccessible.

ADP techniques applied to the pilot "Gombe" project, the immediate ancestor of BSADP, achieved impressive results. Production of maize in the Gombe area in eastern Bauchi state rose to 60,200 tonnes at the end of the five-year project from only 7,700 tonnes at the project's inception.

At current high prices, BSADP extension workers estimate that farmers who follow BSADP extension advice and purchase inputs from its centres can earn 100 per cent profits on a hectare of land under maize, due to increased yields.

The impact of the programme on total state-wide production is more difficult to assess.

Original projections of a 5 per cent increase in farm output each year were made in 1983 by the 1983 drought, the worst in living memory in Bauchi state. After a bumper crop in 1982, state-wide production fell 38 per cent in 1983 although it returned to normal levels in 1984.

Results have also been hampered by persistent funding problems, according to BSADP officials. Feeder road construction was stopped altogether between July and December last year due to a shortage of Federal government funds.

Unit costs of the project are relatively low—N75 per farm family per year—partly due to the fact that sales of inputs are not heavily subsidised. Inputs are sold at a small profit by the Bauchi State Agricultural Supplies Co, BSADP's commercial arm.

But critics say overheads represent far too high a percentage of total costs, with large sums spent on salaries for nearly 3,000 staff (only 500 of whom have any direct contact with farmers) and on staff houses and office blocks.

And all the project's impressive gains could still be jeopardised by a failure to devote funds to training maintenance engineers in the state institutions which will take over responsibility for roads and physical infrastructure when the project terminates in 1986.

The Fafule borehole pump, under the best of conditions, will have a life of about ten years.

"Without proper maintenance," says a BSADP official, "it will be lucky to last half that time."

PROFILE: DADIN KOWA DAM

## Giant project scaled down

THE startling fact about the Dadin Kowa dam is that it will remove from cultivation in the medium term three times as much land as it brings under irrigation—at a capital cost of over \$90m.

The dam, which will create a 2.8bn cubic metre artificial lake in the dry and impoverished Northern state of Bauchi, will flood 19,000 hectares of rainfed farmland in order to double yields on 6,200 hectares of land through irrigation downstream.

The Dadin Kowa project and others like it throughout Nigeria were designed in the flush of oil boom prosperity when the technology of large-scale irrigation—backed by heavy infusions of cash—seemed the best hope for bringing Nigerian agriculture into the 20th Century.

Inspired by the success of similar schemes like the Tennessee Valley Authority in the U.S., Nigerians were convinced that the promise of dramatic increases in production made such massive investment worthwhile.

But soon after work started on the \$63m Dadin Kowa dam in early 1981, the Nigerian economy headed for the doldrums. It became apparent that grandiose plans for irrigating some 44,000 hectares in Bauchi and neighbouring Borno and Gongola states would have to be scaled down.

Persistent shortfalls in Federal funding have put back completion of the dam two years to 1986 and the immediate plans are to raise \$28m to install a sophisticated sprinkler irrigation system for only 6,200 hectares instead of spending a conservatively estimated \$250m to irrigate all 44,000.

According to Alhaji A. H. Hashidu, general manager of the Gongola-Jama'are River Basin Rural Development Authority, the government body in charge of the scheme, steps could be taken eventually to soften the impact of the dam on upstream farmlands by installing floating pumps to service land

periodically flooded by the lake. The pumps would provide irrigation when the floodwaters receded.

This would bring some added land under irrigated cultivation. But there seems little likelihood that funding will be available in the foreseeable future to complete the project as designed.

Alhaji Hashidu points to the Government's success in peacefully resettling some 15,000 people displaced by the dam.

Full compensation was paid for land acquired by the Authority, and the scenes of rioting farmers which marred the construction of Sokoto State's Bakolori dam in the late 1970s—19 people were killed when police were sent in to quell one such revolt—were not repeated at Dadin Kowa.

### Benefit

The Government has won farmers over to the scheme, according to Alhaji Hashidu. Indeed, co-operation by farmers will be crucial to the success of the irrigation network when complete, as irrigation water will be shaded out according to a rigid four-day cycle to be administered by farmers themselves.

There is little doubt that the impact on the 1,580 farm families which will immediately benefit from the dam will be enormous. Dry season cultivation will make two crops possible each year and the risk of crop losses due to drought—perhaps the most serious problem facing peasant farmers in the area—will be removed.

The dam will also provide drinking water and feed 34 Mw into the national electricity grid.

The challenge for government will be to ensure that these gains are permanent. Maintenance of the irrigation works will require costly imported spares and skilled technicians, which seem likely to be in short supply in the near future.

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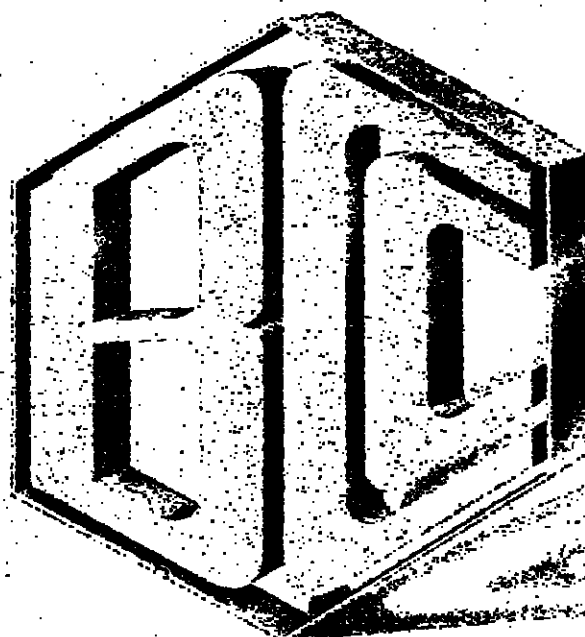
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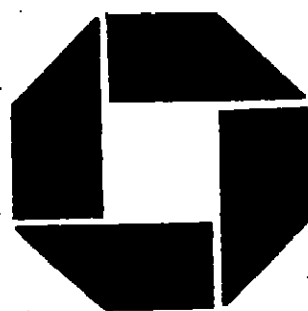
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## NIGERIA 26



At the bustling Jankara Market in Lagos an open-air butcher gets to work and (right) a peasant farmer brings her plantain crop to the city

## Strong commercial approach meeting ready market

WHEN General Olusegun Obasanjo, Nigeria's last military leader, gracefully handed over power to civilian politicians in October, 1979, he had a problem: what to do next.

"I was unemployed and unemployable," he recalls, with the hint of a twinkle in his eye.

He did not hesitate for long. Two weeks after stepping down, he appeared at a specialist university training centre in Ibadan and asked for lessons in agriculture. Now he is the nation's most famous farmer, and one of its more successful.

"People were sceptical, at first. They thought it was some kind of a joke," says Prof Biodun Olalekan, Gen Obasanjo's mentor at Ibadan's Institute of Agricultural Research and Training. "His personal determination made it work very quickly."

"He takes it absolutely seriously," agrees an official at the International Institute of Tropical Agriculture nearby. "He wants to make it clear that farming can be respectable."

Gen Obasanjo, a genial relaxed man of 47, owns Temperance Enterprises, a rapidly-growing food conglomerate, based at Ota, conveniently on the fringe of Lagos's urban sprawl.

### Scattered

There, and at his four other units scattered across Oyo state, he keeps nearly 400,000 eggs - laying and broiling chickens, can hatch up to 1m chicks, houses a sizeable herd of pigs, and grows maize, cassava and even mushrooms.

By any standards, this is a large commercial farm, replete with 24-hour shop and restaurant at the gate. The General has a huge ready-made market on his doorstep.

Poultry is so much in demand in the Lagos area that Temperance Enterprises does not even feel the need to do any marketing; all buyers - most of them acting on behalf of leading supermarket chains with the facilities to handle frozen produce - negotiate their transactions at the farm and arrange transport themselves.

The potential for battery farms such as Gen Obasanjo's is enormous, reflecting the current low proportion of animal protein in the average Nigerian diet. It is estimated

### Poultry farming

ANDREW GOWERS

that daily per capita supplies of animal protein in the country were less than 5g in 1983, only about 20 per cent of the recommended minimum for adults.

To many would-be farmers, poultry production represents the easiest and most obvious way to make up that deficit. "The problem is not a lack of chickens, but the efficiency with which they are used. With an estimated poultry population of between 133m and 153m in 1983, Nigeria has more than some developed countries which are not only self-sufficient but export poultrymeat in large quantities.

The number of intensive poultry units is still relatively small, concentrated close to the major conurbations of southern Nigeria. Many of them sprang up as a result of incentives given by government as long ago as the late 1950s.

Prof Olalekan estimates that less than 10 per cent of all animal products available in Nigeria stem from commercial production within the country.

Clearly, the obstacles to setting up and continuing in the business are enormous, and the rewards are probably not that great. Gen Obasanjo maintains that his organisation is only breaking even, despite turnover last year of N25m and what are generally regarded as relatively low operating costs.

"I wouldn't compare the money to be made in this with the profits in bringing in frozen chickens from abroad," he says.

Farmers identify at least five key problems facing poultry producers:

• First, bureaucracy is a ubiquitous hurdle, whether a farmer is trying to get land or just an import licence for animal feeds or drugs.

Gen Obasanjo, as a former head of state, has the influence to brush some of these difficulties



Although there is great scope for the poultry sector, there are shortages of feedstock to be overcome.

ties aside, but as one retired army colonel, who wants to go into farming, remarked: "How many others have the bulldozing power to bulldoze all those problems out of the way?"

• Second, insufficient finance has been available for the considerable investment which intensive farming entails.

• Third, commercial poultry farmers have suffered as much as anyone from the supply bottlenecks and shortages which characterise every sector of economic life in Nigeria. Maintaining a viable poultry operation depends crucially on a constant supply of feed, usually maize-based, of day-old chicks and of other inputs such as drugs and vaccines to combat the ever-present risk of disease.

Relatively efficient producers like Gen Obasanjo have aimed for a high degree of integration in their farms producing as much of their own maize and hatching as many of their own chicks as they can.

It is still not nearly enough; the General is reported to have been desperately in need of imported maize last year, and according to one estimate, half of all Nigeria's poultry

production capacity had to shut down for at least part of 1984 for lack of feed.

There are fears that imported drugs, too, will once again be in short supply in 1985.

• Fourth, management of poultry enterprises is generally poor.

"Many poultry units are inefficient and producing well below their capacity," says Prof Olalekan.

• Fifth and most important is the attitude of Government. Although the authorities spending on agriculture over the years has been lavish, the livestock sector has tended to rank low on their list of priorities.

Farmers complain of frequent "stop-go" policy changes, of competition from floods of cheap imported frozen chickens, of inadequate incentives to use expensive domestically produced maize, and insufficient feed imports.

"I think there is a great ignorance within the government policy-making machinery," says Gen Obasanjo.

"I've been at both ends, at the giving end and at the receiving end, so I know what I'm talking about."

## Interest in lost crop renewed

### Palm oil

PATTI WALDMER

THERE MUST have been an oil palm tree in the Garden of Eden.

Growing wild throughout the luxuriant rain forests of West Africa, the towering oil palm requires a minimum of husbandry to provide the essentials of food, drink and shelter.

Its fruits yield the rich red oil which is at the base of every spicy West African dish. Its fronds are used as roofing while its sap, drawn in early morning, ferments naturally by evening to a fearful potency.

For years before crude oil came to dominate the Nigerian economy, palm oil held pride of place as one of the country's top foreign exchange earners.

Nigeria was at one time the world's leading exporter of the oil, which is used for soap manufacture.

But by 1979, exports had dwindled to nothing under the influence of sharply rising domestic assumption. The crude oil boom which lured labour off

the land, and the widespread destruction of oil mills in the east during the Nigerian civil war.

The trees aged without replanting and their productivity declined substantially while a return to traditional, inefficient methods of hand extraction meant yields of finished oil fell.

By 1982 Nigeria was forced to import some 168,000 tonnes of palm oil to meet domestic needs.

Now in the former breadbasket of oil palm production, the country's eastern Rivers state, farmers' interest in the crop is being rekindled by a unique project jointly financed by the Federal and State governments and the World Bank.

Lorries piled high with bunches of the bright orange palm fruit queue up through the night outside the "Risopalm" project's mill, during the peak production season.

The fruits are purchased and collected by Risopalm from smallholder farmers who primarily gather them from wild groves within a 100 km radius of the mill.

"We expected to get maybe 6,000 tonnes from smallholders last year. Instead we got 23,000. This year we expect to get

40,000 tonnes and may well get 70,000," says project manager Mr P. Vandebecck of Soefco, the Belgian company which manages the \$28m project.

According to Mr Vandebecck, most of the fruit came from wild groves, many of which had previously been abandoned.

Faced with prices kept low in recent years by a flood of cheap imports, farmers had preferred to leave the fruits unharvested rather than risk climbing to retrieve them and engaging in the tedious process of extracting oil by hand.

Response

He explains the eager response of farmers by pointing out that Risopalm offers them a ready market at a time when prices have shot up steeply in response to sharp cuts in imports last year (some estimates put total 1984 imports at 30-40,000 tonnes while the demand gap is estimated at around 500,000 tonnes).

Risopalm oil sells at N2,000 (\$2,400) per tonne at the mill gate, compared to a landed cost of \$650 per tonne for imports.

Exploitation of neglected wild groves throughout the country - agriculturalists estimate some 1.5m to 2m hectares could

be tapped - would undoubtedly have the most immediate impact on production in the short term.

But Risopalm does not rely solely on wild groves. Planting of a 10,000 hectare "nucleus estate" is due to be completed this year, with the first trees reaching their full productive maturity this year as well. The estate produced some 15,000 tonnes of fruit for the mill last year and the amount is expected to double in 1985.

According to a Soefco feasibility study, development would be taken a step further. By Phase II of the project which would focus on smallholder development through land clearing and reclamation, new plantings, and input supply. The local cost of Phase II (N300m) could be financed from profits of Phase I, while the \$150m foreign exchange component would have to be financed "on-shore".

While palm oil demand is expected to keep the tonnage by 1990 against 1984 production, estimated by the United States Department of Agriculture (USDA) at 515,000 tonnes, investment in such projects is critical if Nigeria is to remain self-sufficient in the foreseeable future.

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## Supplies improving fast

### Fertiliser distribution

ANDREW GOWERS

AFTER years of bureaucratic delay, financial worry and political uncertainty, Nigeria at last seems to be getting to grips with a vital ingredient for agricultural revival: the fertiliser supply.

Procurement and distribution of fertilisers, long bedevilled by corruption and bad management, improved markedly last year under the watchful eye of the World Bank.

And at least as importantly, the Government finally cleared the decks for construction of a new N680m fertiliser plant, designed to produce more than half the country's needs of ammonium, urea and NPK from 1987.

"At long last, the horizon looks pretty blue — for the first time in five years," says a senior executive involved with the plant.

But the most immediate achievement is the improvement in supply. Lack of fertilisers has been identified by successive Nigerian governments as the biggest single obstacle to their aim of boosting food production.

Despite their promises, supply has always lagged far behind demand and even further behind official plans.

#### Statistics

The figures are notoriously unreliable, but it is estimated that even at its peak in 1981, Nigerian fertiliser consumption — at 12 kg per hectare — was one-sixth of the world average and more than 20 per cent below the average for Africa.

In 1982, consumption declined by another 30 per cent as a result of the growing shortage of foreign exchange.

It was Nigeria's crippling dependence on imports — production from the country's only fertiliser plant at Kaduna is only about 45,000 tonnes a year, compared with estimated demand of 900,000 — and its inability to pay for them that prompted the World Bank to step in with a speedy \$250m loan over two years in 1983.

Imports were opened to competitive international tender, and private consultants were



Regular supplies of fertiliser are a vital component in Nigeria's agricultural programme. At Gusau, above, where the World Bank has helped finance a major programme, farmers tend their maize fields.

brought in to supervise the procurement and distribution. As a result, Nigeria successfully brought in 745,000 tonnes of fertiliser in 1984 at a total cost of \$132m — and this year imports are set to rise further to 1,125m tonnes.

Nobody is claiming that all last year's supplies made it intact to the farms. But there were improvements on several fronts:

● Smuggling of fertilisers to Nigeria's West African neighbours, an operation rendered attractive by heavy Government subsidies and the over-valuation of the Naira, has been curbed by the continuing closure of the country's land borders.

● Competitive bidding for contracts led to significant savings on price and reduced the opportunities for rake-offs by corrupt officials.

● A start has been made with curbing wasteful use of fertiliser by allowing 25 per cent off the massive 75 per cent price subsidy, and the Government is committed to cutting it a further 25 per cent by 1988.

This is a key condition of the World Bank loan — and the Government's compliance on this point is in stark contrast with its refusal to negotiate with the IMF on the removal of petroleum subsidies.

● Some order has been introduced into the gargantuan and previously chaotic task of distributing fertiliser within the country. The National Fertiliser Company of Nigeria (Nafcon),

a joint venture between the American company M. W. Kellogg and the Federal Government, supervised the operation for the World Bank, while Diamond Fertiliser and Chemicals, UK subsidiary of Norsk Hydro, and a local food company acted as marketing consultants.

Together, they increased the number of distribution points from 40 to 140, and brought fertiliser supplies within bicycle distance of a great many more farmers.

Nafcon has since been summarily replaced on this job by Britain's Crown Agents. However, its prime task is a much more far-reaching one: setting up, and devising a marketing strategy for the huge new fertiliser plant at Onne near Port Harcourt.

#### Full speed

Kellogg won the contract for this project as long ago as 1979, and was beginning to despair of ever getting it off the ground.

But suddenly last year, things began to happen. External financing — in the form of a \$246m supplier credit from the U.S. Exim Bank and a \$222m loan from Japan's Ministry of International Trade and Industry — slotted into place.

Then in September, the authorities injected the impressive sum of N80m into Nafcon's bank account.

Nobody involved in the project is in much doubt any longer about the Government's

commitment to proceeding with it at full speed.

"The Onne project is in better shape than it's ever been in its history," said a Nafcon executive.

"The military Government is putting its money where its mouth is." The first big contracts have now been awarded, with the local subsidiary of the U.S. company Frueco handling the civil works for \$82m and South Korea's Daewoo looking after mechanical erection for N38m.

Fed with natural gas from Shell's Alakiri field west of the Bonny river, the Onne plant should eventually be turning out 1,000 tonnes of ammonia and 1,500 tonnes of urea a day.

The only problem then — albeit the most difficult — is delivering it to the farmers. Nafcon is planning to build a rail spur from the plant to an existing main line, and is looking for funds — possibly from the World Bank — to buy locomotives and rolling stock.

One thing is already crystal clear to Nafcon executives: they want to rely as little as possible on state agencies to distribute the fertilisers.

"Our overall plan is to maximise use of existing commercial companies and develop an integrated agricultural supply industry," says one.

Companies like Chemical and Allied Products, the local ICI subsidiary, and Bayer, with extensive sales networks around the country, are among likely candidates.



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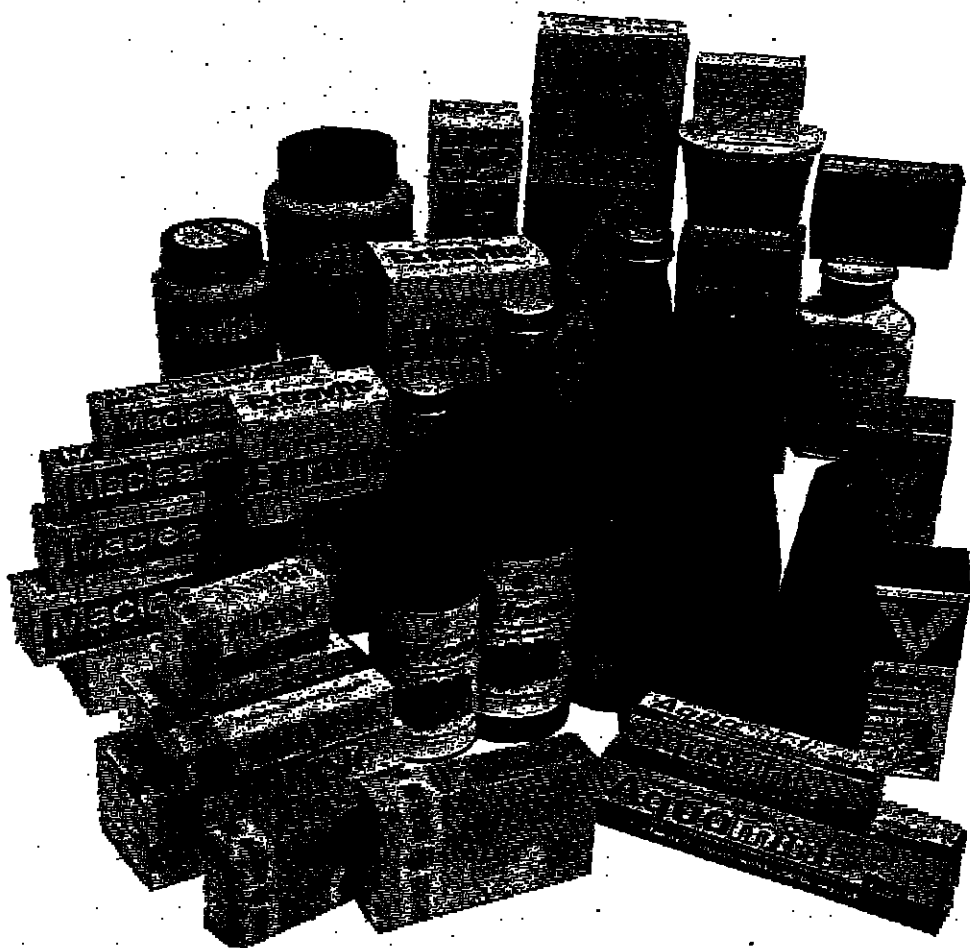
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Chief of Army Staff

DATE — FRIDAY 1ST MARCH 1985 TIME — 4.30 p.m.

VENUE — BANQUET HALL, EKO HOLIDAY INN, VICTORIA ISLAND, LAGOS

CHAIRMAN — Sir Danley Alexander K.T., C.B.E. (Former Chief Justice of Nigeria)

HOST — Group Captain Gbolahan Mudasiru (Military Governor, Lagos State)

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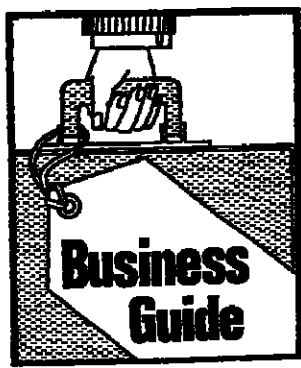
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XXVIII  
NIGERIA 28

Surviving in Lagos: in Part One of this survey, Elizabeth Meek gave key information for overseas business visitors to Nigeria. Today this section looks at useful ways to make the business trip less irksome

## Tips for business visitors

### Choosing your flight

If someone has to make arrangements to meet your flight (always a help if it can be arranged), try and arrive at a social hour.

Lagos has the same time as Britain in summer (it is one hour ahead in winter), so you won't have to contend with jet lag.

British Caledonian and Nigerian Airways fly direct to Lagos from London, with stops in Kano on some days. The flight can take as little as five and a half hours.

There are also flights from the major European capitals. The frequency with which airlines cancel flights at short notice these days, presumably because they do not have a large enough payload, has increased to an irritating degree.

Getting through the airport on arrival

The reputation of Nigeria's airports still lives on, even though much has been done to improve them. Just keep cool (the air conditioning probably won't be working) and remind yourself that you will get through the airport in the end. There is no point in queue-jumping (you are likely to be singled out for a dressing down in public about the need to notice the principles of WAI).

Don't try to "dash" (i.e. offer a bribe): it won't save you much time and it could be embarrassing.

The worst section is the queue at immigration. This is still slow and disorderly, with an agonising wait while your passport is removed for scrutiny. You will have to produce your return or onward ticket and an immigration card which should have been handed to you on the aircraft.

But, even after this, you will probably still have to wait for your baggage to arrive.

Customs checks are more thorough than they used to be (the officers are looking out for smuggled naira), but again don't dash. If you have a porter, do not pay more than N2 a case.

You will have to show your yellow currency form and perhaps the currency and travellers cheques you are bringing in, as well as the currency desk, where

the form will be stamped. Putspoken. The Guardian and the Democrat (Sundays) are the serious newspapers, but, as always in Nigeria, it is worth reading three or four to grasp the different angles on a story.

The television news has improved in quality, but is more heavily controlled than the papers.

If you are ill: First of all, do not go to Nigeria if you are unwell (or even if you have toothache). Obtaining medical treatment can be expensive and time consuming. Do obtain good insurance cover so that, if the worst comes to the worst, you can be flown out by air ambulance.

If you do need to see a doctor, try to obtain recommendations. In an emergency, the St Francis Clinic at 24, Kefi Street, SW Ikoyi is open for personal

callers. (Doctors rarely make house visits.)

Shopping: The import controls obviously have an effect on the availability of imported goods. Despite this, you can usually buy most of what you need, unless your tastes are very esoteric. Shopping is not much fun, however, so it is worth taking trouble over your packing so that you do not have to do much of it.

You are unlikely to have to buy food unless you are setting yourself up for a long stay. And if you are, it is always better to ask your steward to do it, or at least go with you, at first.

The main department stores are on the Marina in Lagos: Kingsway Leventis and UTC.

buying presents such as beads, blankets, wooden carvings and imitation Benin bronzes from the stalls outside the hotels, or from Jakara market.

If you suspect that the item you have bought may look like a genuine old carving of artistic value, you should obtain a certificate from the museum to allow you to export it. Other wise the item may be confiscated at the airport. If it is a genuine work of art, the museum will not allow you to export it.

You will have to use bargaining for anything you buy. Try and get the seller to name his price first. Offer him about one-third of this and, after a reasonable amount of haggling, settle for about half.

Some visitors love bargaining

and spend all day negotiating to buy a packet of sugar. Unless you are in this category, do not feel that you have to make a life's work of it. The small saving achieved is not worth the time wasted!

"Dash" (a small bribe): It is less necessary nowadays to "dash" in order to get small things done for you. This is where WAI comes in. If the man who has just put petrol in your car hangs about saying, "Give me a present," you can say "What of WAI?" and he will probably give up the attempt.

That said, you do have a lot more money than he has, and if he has done a good job (cleaning your windscreen, perhaps) he deserves a "dash." Do not feel that you have to "bribe" everyone in sight. It is unnecessary and expensive.

For food you could try Bhojans on Awolowo Road, Ikoyi; the Afri Supermarket on Victoria Island, near the U.S. Embassy; or Molony's in Molony Street, Lagos Island.

If you have visited Lagos before you will notice that one aspect has really changed: all the little stalls in the residential areas have been closed down. This does make the city look tidier, but it makes it more difficult to pop out for a packet of cigarettes.

Wine is extremely expensive to buy in the shops and often tastes dreadful since it may well have been stored in the hold of a ship in tropical climates for six months. Ask for the local beer instead, which is cheap and plentiful. There are numerous different varieties all on the lines of lager rather than bitter. You will have no difficulty

car parks. Or if you are driven by a friendly taxi man from the airport, you can discuss it with him. Petrol is very cheap at 20 kobo a litre, but as he has to pay huge prices for tyres and spares, he will probably bargain quite hard with you.

Eating out: Make sure that you can afford the bill before you start ordering. Restaurants which are used by foreign visitors are incredibly expensive nowadays, particularly if you have wine with your meal. Some recent visitors were horrified to see that a light meal for six with wine cost N500. On another occasion, a Chinese meal for two, without wine, came to N25.

But if you are prepared to pay for it, you can order a tolerable meal in Lagos, although it is unlikely to be a great culinary experience. Chinese food can be quite good.

It is difficult to find a choice of West African dishes, although most of the hotels have one or two on the menu. It remains the case that the best food is to be found in private houses; but that is probably true of most countries.

Chinese restaurants: You can try the following: the Cathay, 88 Broad Street, Lagos Island; the Mainland Hotel Chinese Restaurant, tel 860010; the Cafe de China, Federal Palace Hotel, Victoria Island, tel 610031.

Restaurants with music and/or dancing: If you like jazz, you would enjoy Art's Place in Yaba where you can listen to music and have a meal if you wish.

Bagatelle is popular and has magnificent views over the harbour (2-8 Broad Street, tel 662410) and Bacchus can produce reasonable Greek food and lively disco music (57 Awolowo Road, SW Ikoyi; tel 681653).

Other restaurants: Antoine's bar and restaurant has French and Lebanese cooking (61 Broad Street); the Tabriz has Lebanese dishes and is off Martins Street, near the Bristol Hotel.

If you like morning coffee or a light meal, there is a wine bar in the Palomo shopping centre. But watch the price of the wine!

Leisure: If you enjoy squash or tennis, day for about N90 (or N9 or N10 an hour) from the hotel Lagos is the place for you.

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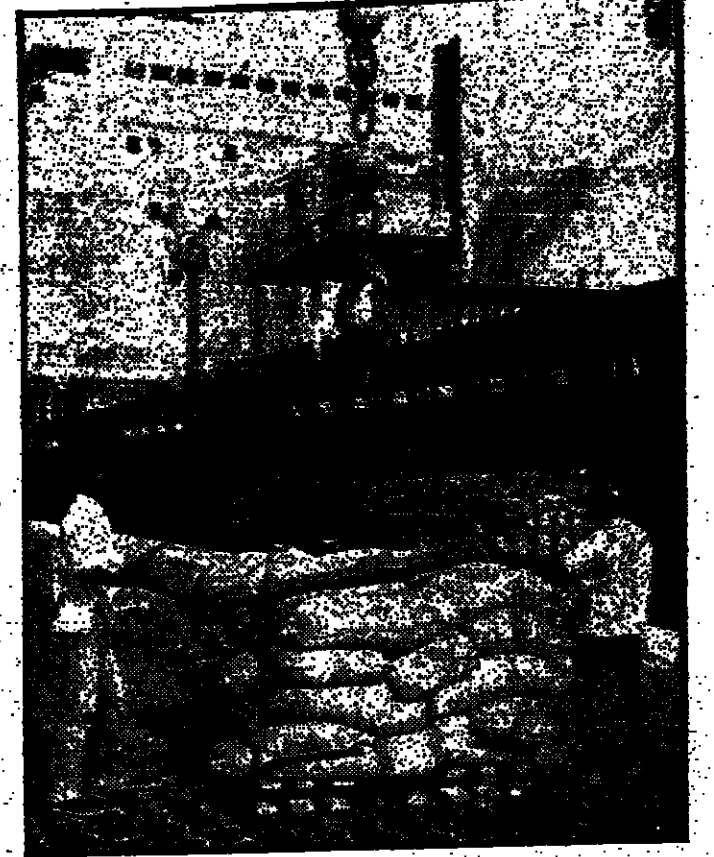
Similarly golf, sailing, water skiing or polo are all available. Club contacts come in handy to help arrange this. If you have some temporary membership of one of the sporting clubs in Lagos.

You would normally need to be introduced by a member, but the staff at the club often arrange introductions. If you belong to a sporting club at home, you may find it has a reciprocal arrangement in Lagos.

Beaches: Bar Beach on Victoria Island is convenient as a place to get a tan. Unfortunately, it is being eroded by the sea and, unless urgent action is taken, there will not eventually be much beach left to lie on. There was once a market selling artefacts and numerous traders with cool boxes of drinks, but most of these facilities have gone, following the Government's clamp-down on street trading.

Even if you can find somewhere on the beach to lie down, you will not plunge into the sea to cool off—if you are sensible; the currents are extremely dangerous and the breakers heavy.

The safest place to swim is Tarkwa Bay, at the mouth of Lagos Harbour. You will have



Importers have benefited by an easing of tedious regulations.

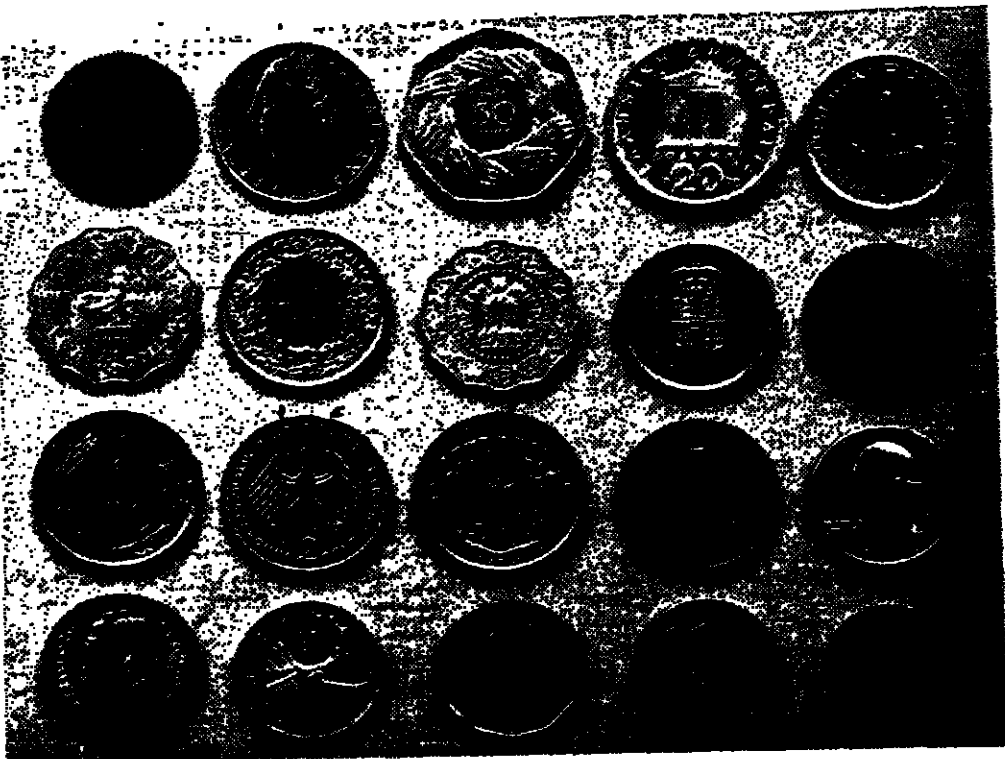
to find a boat near the U.S. Embassy, on Ekeke Crescent, or from the Marina. Pay about N5 for the return trip, but do not part with your cash until you are on the way back. Take cool drinks and a picnic.

Sightseeing: Junkara Market in the centre of Lagos Island is worth a visit. It is best to be driven there, as it is difficult to find, even if you have a map. Visitors can buy beads and traditional cloth. Do not go in the rainy season; drainage has been improved, but it still gets rather muddy.

Lagos Museum is certainly worth a visit if you have some time to spare. It is well planned and has a splendid collection of bronzes and many other examples of Nigerian art. Unfortunately, the best pieces seem to be out on tour, for years on end. However, they are there at the moment, so call in and see them. If you are feeling adventurous, you can have a Nigerian meal at the "Museum Kitchen" and also buy some souvenirs.

Video: There are video shops everywhere in Lagos and home delivery services are available. You will probably buy films more cheaply than at home and find them more up to date (most are pirated); they usually cost N5 to hire for a week.

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